

NKONKOBÉ LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT

2010/11



**NKONKOBÉ
MUNICIPALITY**

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PART 1: Introduction and Overview

A. Foreword by the Mayor

The Financial Year under review has been eventful and challenging. Before the current leadership took over the municipality sank deeper into the morass of debt and inefficiency. Since the current leadership took over Wesbank and Development Bank of South are paid up. We buy vehicles and plant on cash basis. We have made excellent strides to fight poverty and to improve the lives of the community by inter-alia constructing community Halls and other community amenities, creating jobs through Expanded Public Works Programmes, supporting Co-operative, providing free basic electricity to the indigent. Uniquely the legal definition of a municipality is that it is made up of not just councillors and management but community as well, One of the objects of local government enshrined in the constitution of the Republic of South Africa is to provide democratic and accountable government to local communities and to encourage the involvement of communities and community organizations in matters of Local Government.

During the Financial Year under review political instability had been a thorn on our side. Bogus Leaders misled our communities as a result disruption of council meetings for no apparent reasons became the order of the day. The Municipality plunged down into anarchy and disintegration. Nevertheless we navigated this turbulent atmosphere. I can safely say Nkonkobe Municipality is now politically and administratively stable. No senior manager is serving on an acting capacity. We are determined to sustain this by ensuring that we fill the vacant post within the prescribed period.

Nkonkobe Municipality prides itself for being a financial viable municipality. Our revenue collection rate sky rocketed from a low R800 000.00 a month to +- 3 million a month. We are determined to maintain this financial position. As a consequence for the first time we have successfully built community halls and other infrastructural programmes from our own revenue. I can safely say we are no longer a grant dependent municipality. We have introduced technical unit in order to enhance service delivery and minimize tenders through this technical unit we will do some projects in house. Furthermore the historicity of Nkonkobe boost local tourism, we have effectively made use of the University of Fort Hare as available resource and its staff member serves on our Audit Committee.

During the year under review we have moved from a disclaimer to a qualified report. This is a tremendous improvement for a municipality that had been receiving disclaimer since its establishment. We will immediately correct the issues raised by AG in order to gravitate to an unqualified Audit opinion. I commend Councilors, Audit Committee, Internal Audit unit and managers led by the municipal manager for this achievement, we will reap only when we sow.

CLLR A.W. NTSANGANI
HON. MAYOR

B. The yearly program priorities 'statement by the Municipal Manager

In the year under review (2010-2011), Nkonkobe Municipality had six departments, namely, Engineering, Corporate Services, Budget and Treasury, Strategic Planning and Local Economic Development as well as Community Services. This report covers the period from 1 July 2010 to 30 June 2011. The report provides details concerning Council's major priorities for Nkonkobe residents and businesses. Having joined the municipality in June 2009, this is the first financial year that the Municipal Manager can safely say that all have improved significantly within the municipality. Siqhumisauthulingoku e Nkonkobe.

In line with the 2011 State of Nation Address we have managed to create jobs through Expanded Public Works Programme. The municipal staff work hard every day to provide the highest possible quality in service and to support Council's important community leadership and governance work to bring about a fair and equitable dispensation for all citizens of the municipality. From repairing, gravelling and surfacing our roads infrastructure, building community halls, promoting and managing responsible development, diversifying our economy, protecting people and property through law enforcement, fire, emergency event response and rescue services, managing solid waste, caring for our environmental health, building and sustaining critical community partner relationships, providing diverse recreation, culture and sport experiences – our employees make a huge difference in the lives of everyone who lives and works in our municipality.

The commitment and dedication of our employees to their work is extremely commendable. We know that what we do today matters to our communities now and in the future. We strive to improve our professionalism, to be better and to be the best that we can be.

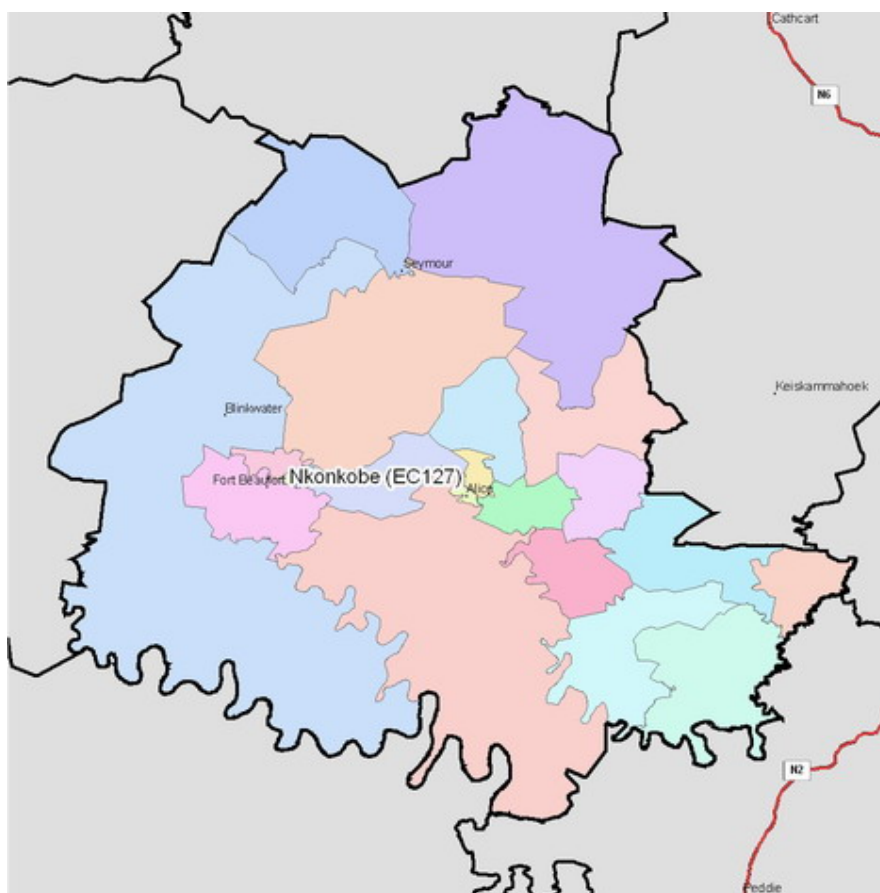
We welcome your feedback and invite you to contact us to let us know what you think. I humbly extend my sincere gratitude to all individuals who have contributed to the municipality in realizing our objectives. We are proud of what we have achieved thus far. I salute you.

C. Overview of the Municipality

1 Situational Analysis

Nkonkobe Municipality was established in 2000 and is made of now disestablished TLCs i.e. Alice, Middledrift, Fort Beaufort, Hogsback and Seymour/Balfour. Alice is a legislative seat and Fort Beaufort is the administrative seat, the latter is situated about 140 km North West of East London on R63 and is approximately 200 km North East of Port Elizabeth. The municipality is the second largest local municipality covering 3 725 km², and constituting 16% of the surface area of the Amatole District Municipality. Nkonkobe municipality is a countryside municipality that sits on the foot of the ever imposing and majestic mountain range of the Winterberg (liNtabazeNkonkobe).

Figure 1: Map of Nkonkobe Municipality



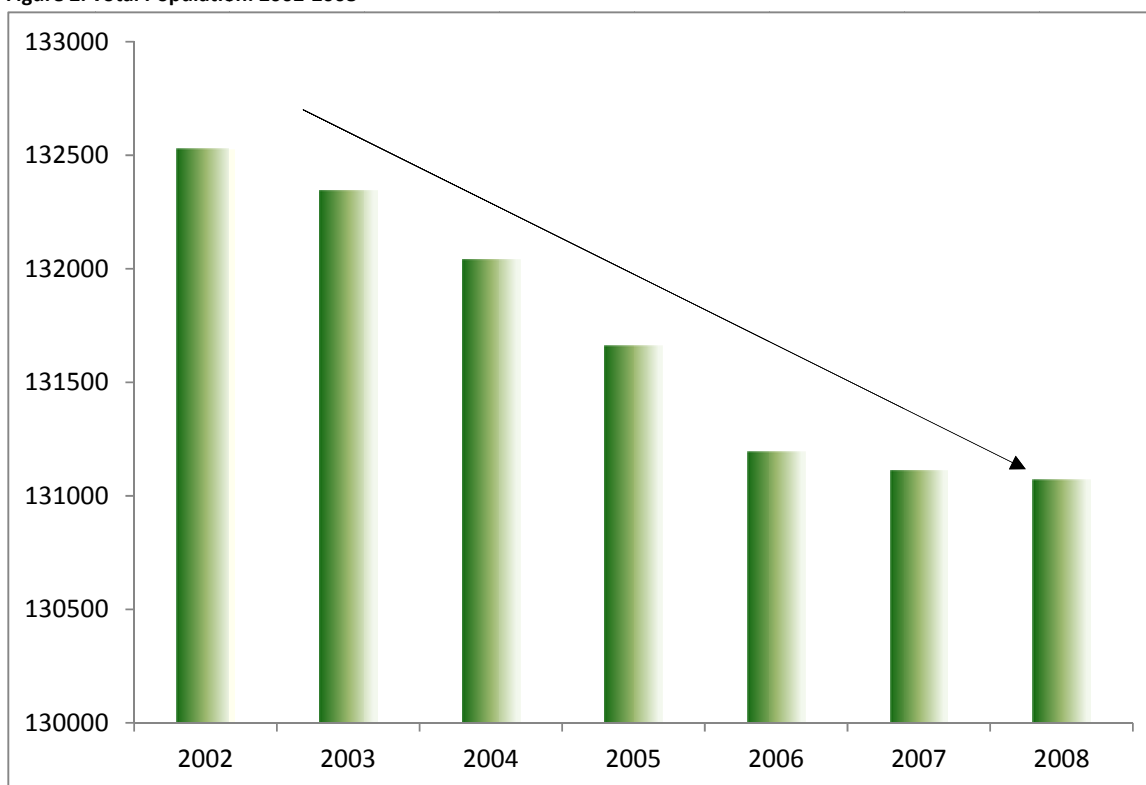
2. Demographic indicators

2.1. Total Population

According to Global Insight, in 2008, Nkonkobe Municipality had an estimated total population of 131 071 and 28 259 households. There are 21 wards within the Nkonkobe municipal area. Approximately 74% of people living within the Nkonkobe municipal area are indigent. The majority of the population of Nkonkobe (72%) resides in both villages and farms and 28% resides in urban settlements. Urbanisation is mainly concentrated in Alice and Fort Beaufort.

Urbanisation ratio (Urban/rural) has improved from 4.1 in 2001 to 2.6 in 2008.

Figure 2. Total Population: 2002-2008



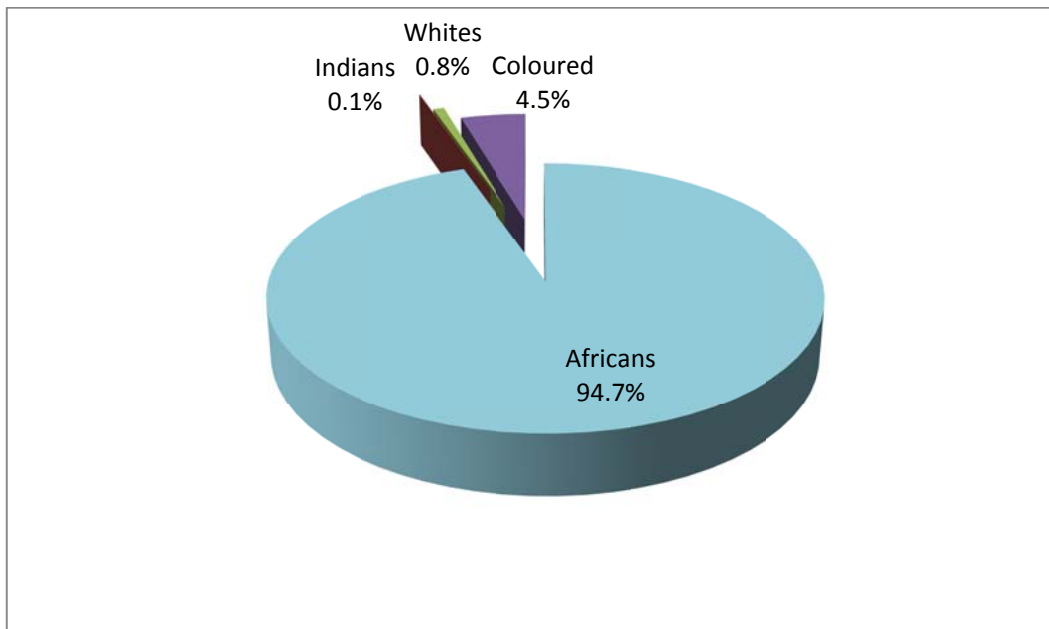
Source: Global Insight, 2008

Figure 2 above shows that the population of Nkonkobe Municipality is declining. The bar chart shows that from 2002 the population of Nkonkobe municipality has declined from 132500 to 131100 in 2008. The 2009 population estimates also suggest that Nkonkobe municipality's population stands at 113 539 according to Global Insight, the population has been

showing signs of decline since 2005. However the municipality is in the process of employing a service provider who will conduct a general household survey in order to have accurate figures. There are number of reasons to which this trend may be attributed to. Although not conclusively HIV/AIDS pandemic may be one of the reasons. The figures on HIV/AIDS in the coming table and graphs below indicate that almost 1000 people have died from HIV/AIDS related diseases up to 2008 and 16000 have been infected at the same time.

2.2 Population by Population Group

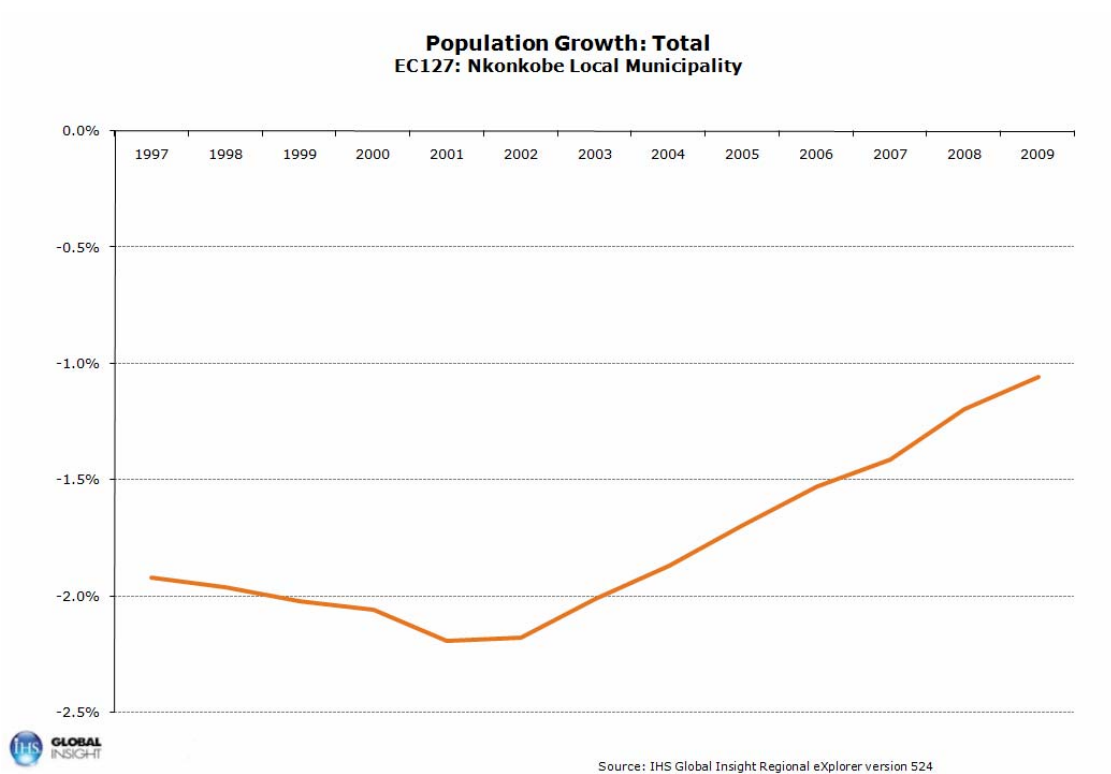
The majority of the people in Nkonkobe Municipality are Africans, they are 107 438 as at 2009 according to Global insight. There are 818 whites, 5213 coloureds and 69 Asians. The chart below represents the population of Nkonkobe by race or group.



2.3 Population Growth Rate

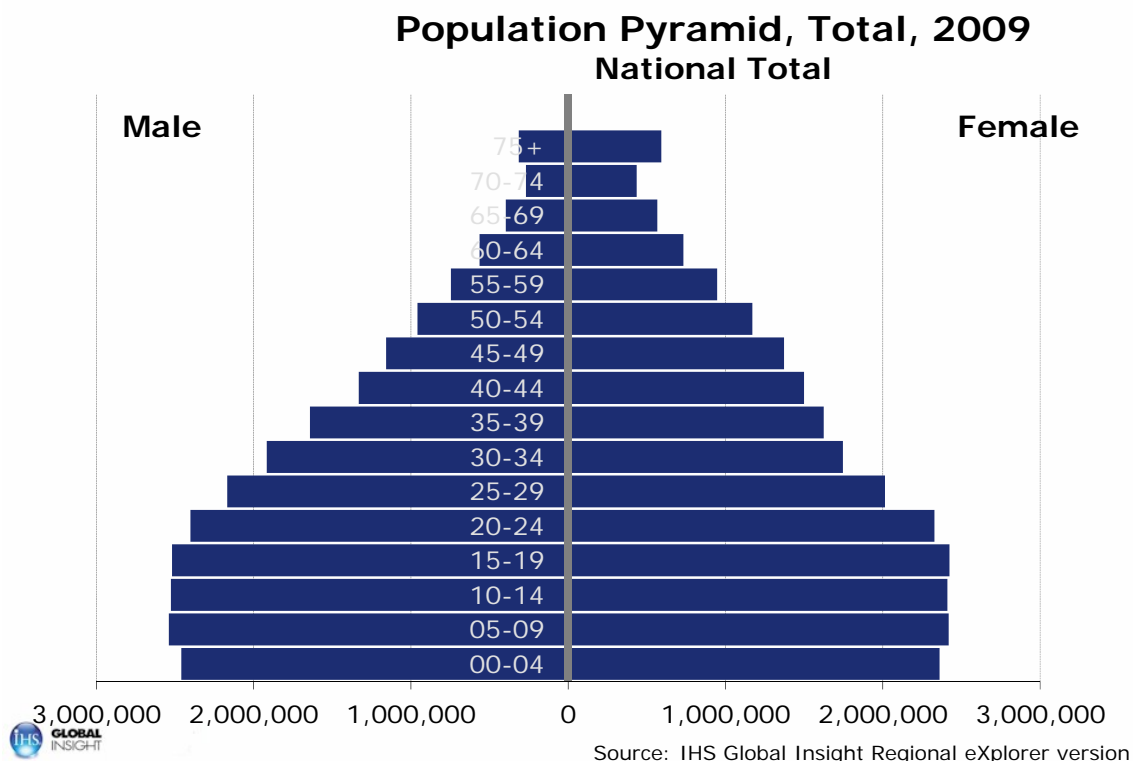
The population of Nkonkobe has been growing just under -1.0%. This is according to Global Insight estimates for 2009 and is reflected in the graph below.

Graph 1: Population Growth Rate



2.4 Population Distribution by age and gender

The population of Nkonkobe is dominated by youth and women. Women are said to be sitting at 60%. The population pyramid below from global insight shows exactly this difference.



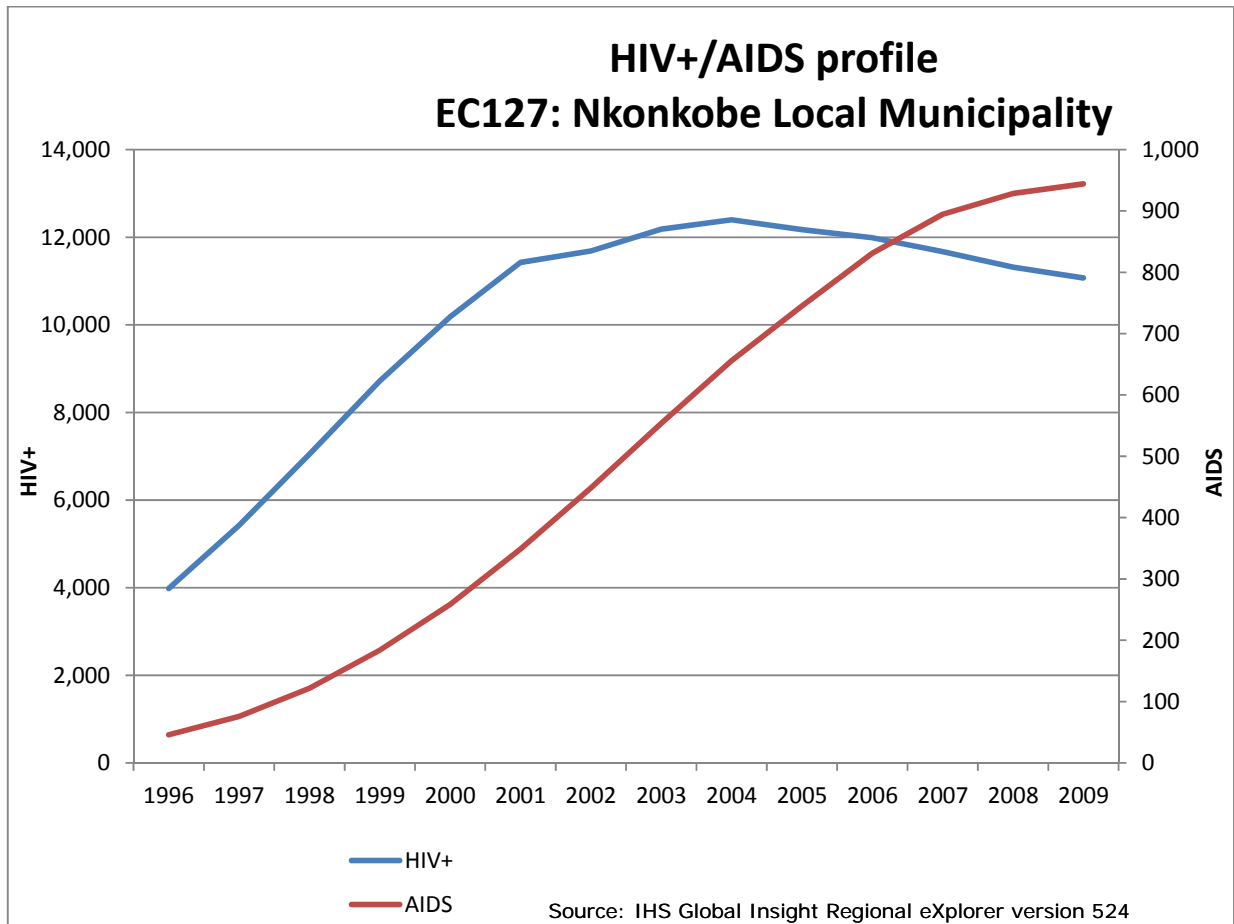
2.5 Number of Households by Population group

According to Global insight, there are 28 477 households and are divided according to racial groups as follows, Africans with 27 083 households, Whites with 269 households, coloureds with 1098 households and Asians with 28 households.

2.6 HIV/AIDS Estimates

The population of Nkonkobe is said to be declining and one of the contributors is suspected to be the HIV/AIDS pandemic. The Graph below shows us that HIV infections are growing, however this growth is happening at a declining rate. Taking for instance the number of infected people from 1996 to 2009 it shows that the infection numbers are growing. On the

other hand when we look at the rate of infections between the same years, it shows that the rates are declining. The graph also shows us that there are 980 people who died because of HIV/AIDS related diseases.



2.7 Development

2.7.1 Human Development Index(HDI)

Human Development Index(HDI) is a composite statistic used to rank countries by level of human development and separate developed from developing and underdeveloped countries. The statistic is composed from data of life expectancy, education and per capita. This is also done for cities or municipalities.

The human development for Nkonkobe municipality is sitting at 0.49. This shows that the levels of human development are still very low.

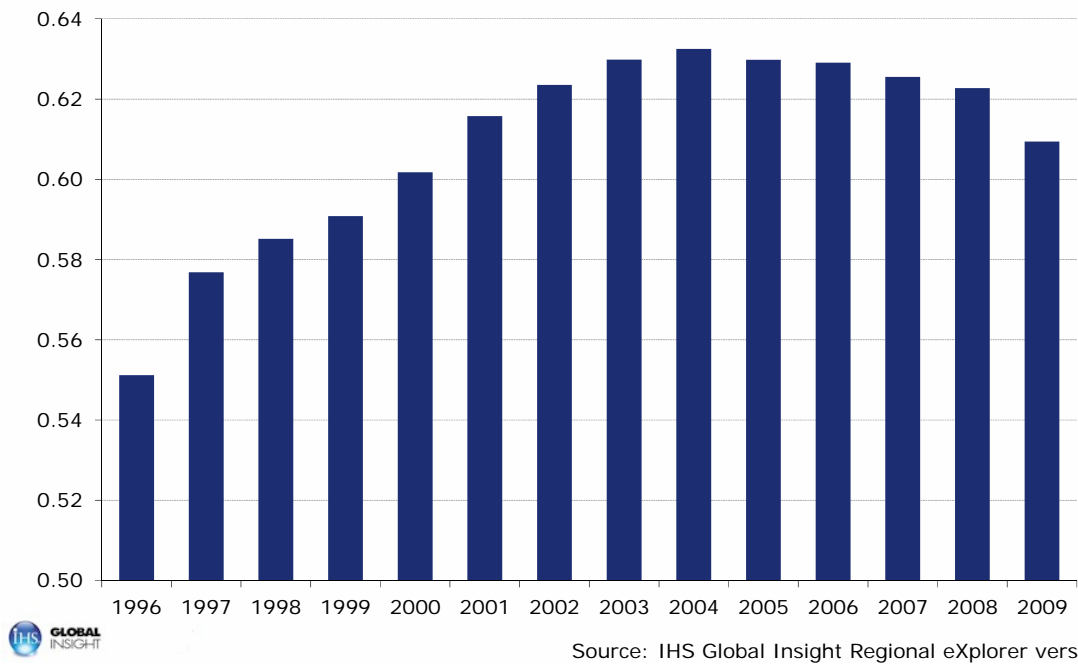
TOTAL NUMBER OF HUMAN DEVELOPMENT INDEX

YEAR	2005	2006	2007	2008	2009
TOTAL PERCENTAGE	0.51	0.50	0.50	0.49	0.49

2.7.2 Gini Coefficient

Gini Coefficient is the measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 1 maximal inequalities. It is commonly used as a measure of inequalities of income or wealth.

**Gini coefficient
EC127: Nkonkobe Local Municipality, Total**



2.7.3 Poverty Indicators

The levels of poverty in Nkonkobe municipality are still very high. This is reflected by the estimates from global insight. The total number of people living in poverty is sitting at 52 155 people. This is showing a slight increase from 2008 which was 50 000. However it is important to mention that as from 1996, the number of people in poverty has been decreasing. For instance, in 1996 the number of people living in poverty was 80 591.

In terms of percentage, Nkonkobe municipality is sitting at 45.9% of poverty. This is very bad although it is just below 50%. In the previous years it was above 50% mark.

Poverty gap is at R219,000,000. This means that Nkonkobe municipality needs R219,000,000 in order to close the gap between those who are poor and rich.

POVERTY INDICATORS

YEAR	2005	2006	2007	2008	2009
POVERTY INDICATORS	62.642	58.155	55.263	55.877	52.155
POVERTY PERCENTAGES	52.4%	49.4%	47.8%	48.7%	45.9%
POVERTY GAPS	R170 000 000	R172 000 000	R180 000 000	R217 000 000	R219 000 000

2.7.4 Education

Nkonkobe municipality is showing great improvement in terms of education. This is reflected by the table below of highest levels of education of people at age 15+.

No schooling	Grade 0-2	Grade 03 -06	Grade 07-09	Grade 10-11	Less than Matric	Matric only	Diploma	Bachelors degree	Post graduates
6 378	2 176	11 040	23 317	17 879	497	14 533	3 989	1 235	423

Source: Global Insight

In terms of functional literacy, the municipality is also showing a great improvement. The total number of illiterate people as at 2009 is 19 541 and it was sitting at 20 811 in 2008. These are people with at aged 20 and have completed grade 7 or higher. Literate people are 49 638. In 2008 this number was sitting at 48 282. In terms of percentage, literacy is at 70.1%.

2.7.5 Population density

(number of people per km²)

	1996	2000	2009
African	36.78	33.84	28.83
White	0.51	0.40	0.22
Coloured	1.16	1.25	1.40
Asian	0.02	0.02	0.02
Total	38.46	35.49	30.47

2.7.6 Development Diamond

**Total Development Diamond
EC127: Nkonkobe Local Municipality, 2009**



% in Poverty
Source: IHS Global Insight Regional eXplorer version 524

2.8 Household Infrastructure

2.8.1 Formal Housing

Out of 28 477 households, Nkonkobe municipality has various types of houses ranging from very formal, formal, informal, traditional and other dwellings.

The following table shows the number of households by type of dwelling

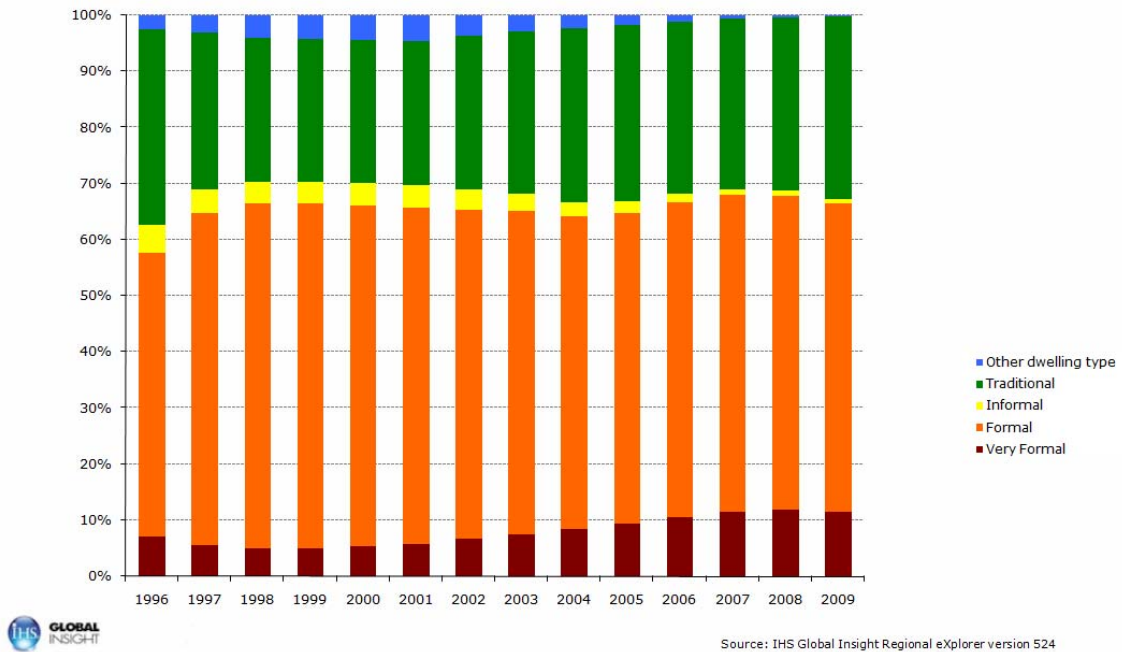
No of households by type of dwelling unit

Very Formal	Formal	Informal	Traditional	Other	Total
3 248	15 692	204	9 289	45	28 477

Source: Global Insight, 2009

This puts 66.5% of households occupying formal dwellings in Nkonkobe municipality. The backlog of formal housing is estimated at 9 537.

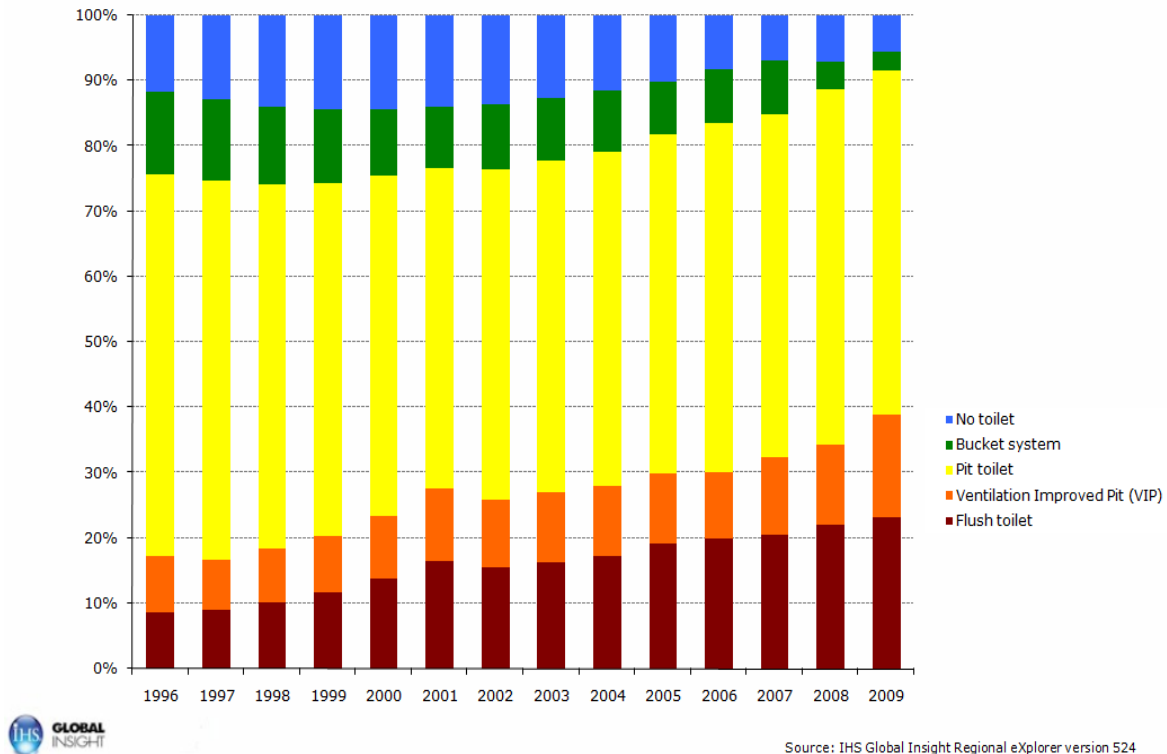
Households by dwelling type
EC127: Nkonkobe Local Municipality



2.8.2 Sanitation

The municipality has done a great job in terms of sanitation. Toilet facilities have improved since 1996. The municipality has various types of toilets, these include flush toilets, ventilation improved, pit toilets and there are still few bucket system toilets. There are also areas where there are no toilets. According to Global insight (2009), there are 6 607 households with flush toilets, 4 484 households with ventilation improved, 14 966 households with pit toilets, 825 households with bucket system toilets and 1 597 households have no toilet facilities at all. 38.9% percent households have hygienic toilets. There is backlog of 17 387 of households without hygienic toilets.

Households by toilet facilities EC127: Nkonkobe Local Municipality



2.8.3 Water Infrastructure

The municipality has also done very well in terms of water infrastructure since 1996. The water infrastructure is divided into piped water inside dwelling, piped water in yard, communal piped water less than 200m (within the RDP standard), communal piped water above 200m (Below RDP standard). There are still areas that are without formal piped water though.

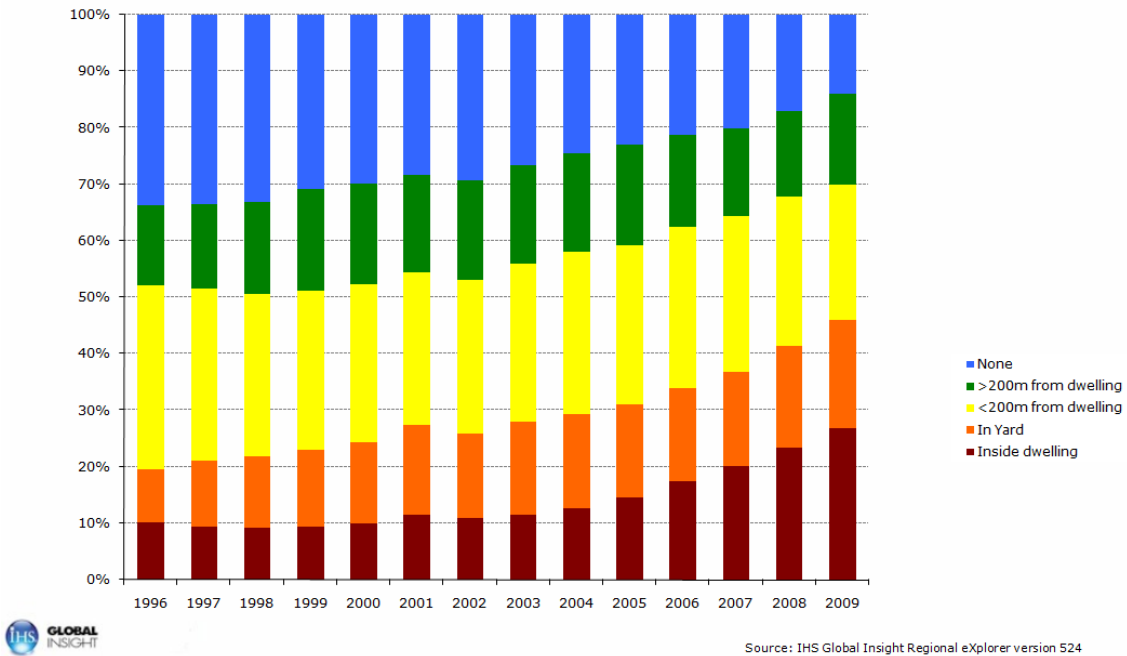
The table below shows the number of households with formal piped water

No of household by level of access to water

Piped water inside dwelling	Piped water in yard	Communal piped water less than 200m	Communal piped water more than 200m	No formal piped water	Total households
7 662	5 448	6 827	4 533	4007	28 477

70% of households have access to water at or more than RDP standard in Nkonkobe municipality. The water backlog below RDP level is 8 540 households.

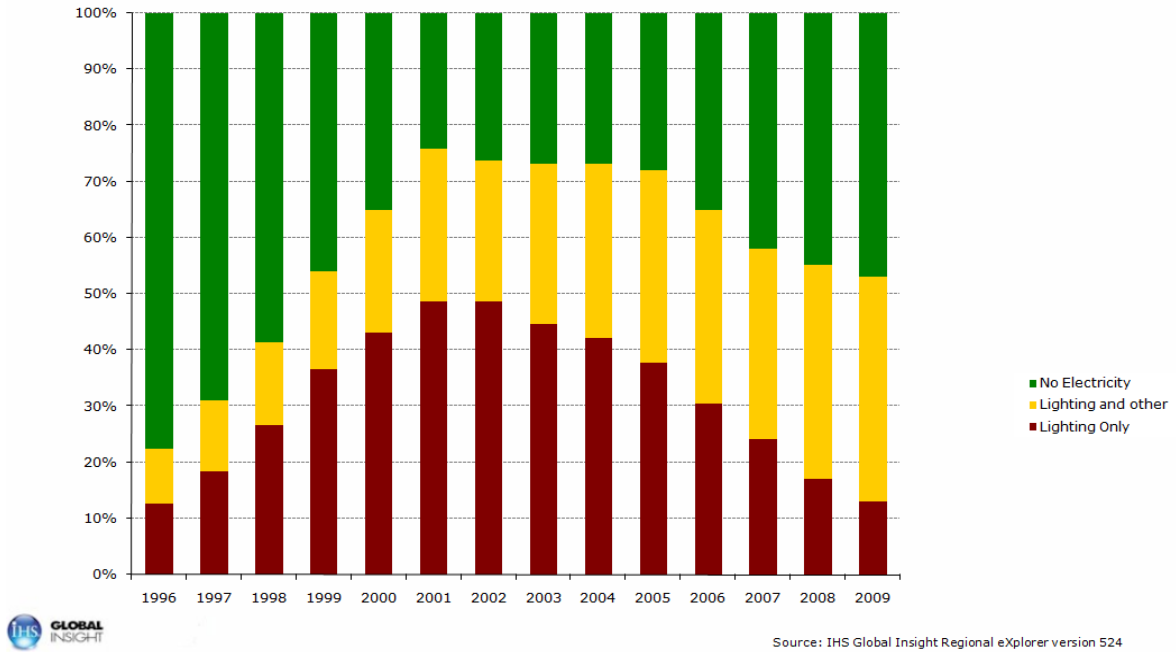
Households by water infrastructure
EC127: Nkonkobe Local Municipality



2.8.4 Electricity connections

Electricity connections in Nkonkobe municipality have shown great improvement. This is reflected in the estimates by global Insight for 2009. Global insight suggests that 3 709 households have access to electricity and they use it only for lighting and 11 405 households also have access to electricity and use it for lighting and other purposes. 13 363 out of 28 477 households have no access to electricity.

Households by electrical connections
EC127: Nkonkobe Local Municipality



2.8.5 Refuse Removal

Nkonkobe municipality is rural in nature, however in terms of refuse removal it is still collecting in the urban areas. This is shown by the number of household with access to refuse removal as suggested by Global Insight. Global Insight has divided households according to the level in which they access refuse removal.

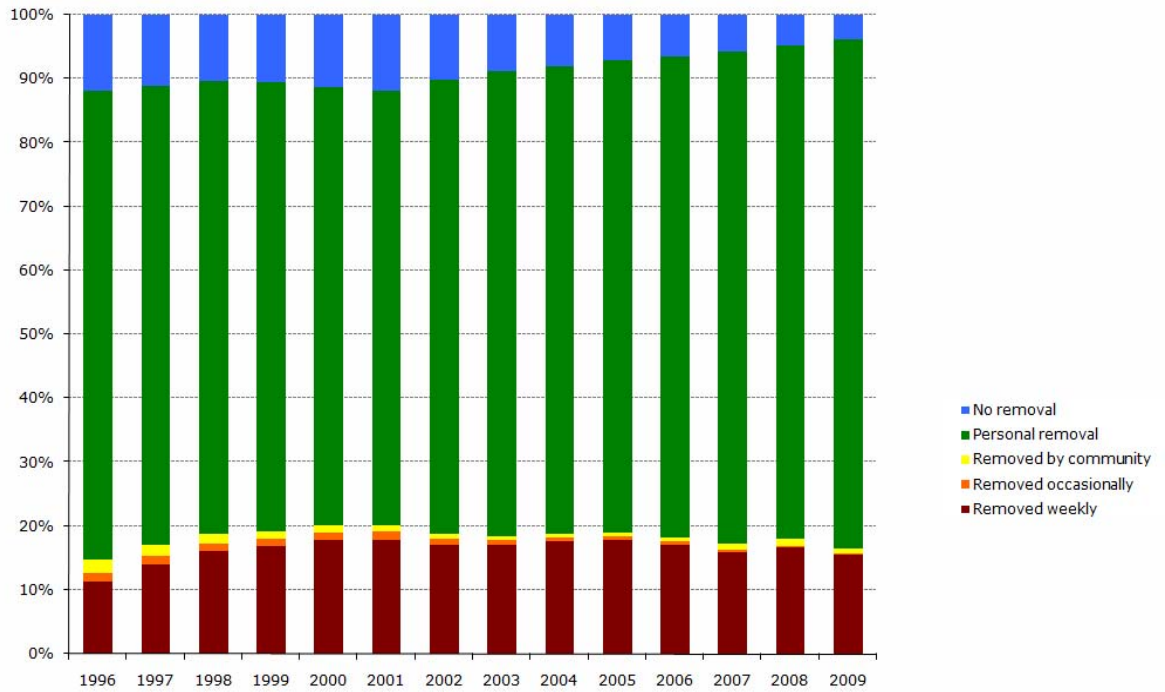
The table below depicts the situation in Nkonkobe municipality in terms of access to refuse removal.

No of household by access to refuse removal

Removed weekly by the Municipality	Removed less often than weekly by the municipality	Removed by community members	Own Dump	No Refuse removal
4 444	17	240	22 702	1 075

Only 15.7% percent have access to refuse removal in Nkonkobe municipality. About 24 016 households have no access to refuse removal.

Households by type of refuse removal EC127: Nkonkobe Local Municipality



Source: IHS Global Insight Regional eXplorer version 524

2.8.6 Household Infrastructure Overview

This is an overview of the infrastructure development in Nkonkobe municipality as shown in the graph below compared to national. The graph shows that since 1996 Nkonkobe municipality has been improved in terms of upgrading its household infrastructure. It is just below 50% percent when compared to national.

Household Infrastructure Overview EC127: Nkonkobe Local Municipality



Source: IHS Global Insight Regional eXplorer version 524

2.9 Labour

2.9.1 Economically Active Population (EAP)

Nkonkobe municipality has 25 660 economically active people as per the official definition (Global Insight, 2009). This represents 22.6% of the total population.

YEAR	2005	2006	2007	2008	2009
PERCENTAGE	21.3%	21.9%	22.4%	23.0%	22.6%

2.9.2 Unemployment

Nkonkobe municipality still experiences high levels of unemployment. According to the official definition of unemployment, there are 14 766 unemployed people in the municipality. Unemployment rate is 57.5%.

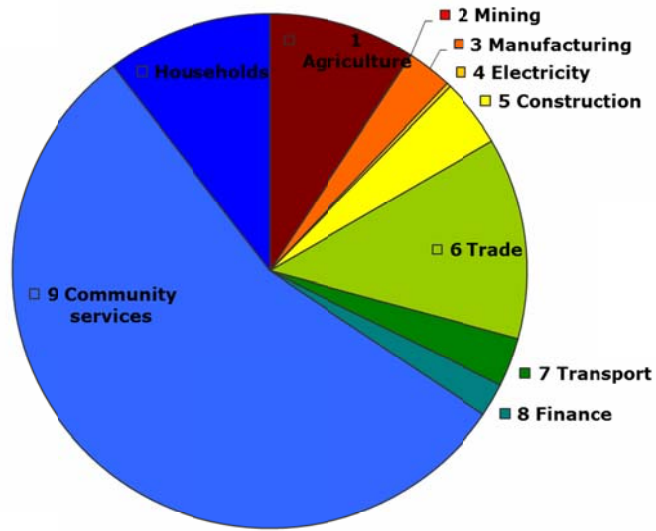
YEAR	2005	2006	2007	2008	2009
PERCENTAGE	61.0%	59.6%	57.2%	55.6%	57.5%

2.9.3 Employment

The total number of people employed in Nkonkobe Municipality is 7 841 as per the official definition of employment (Formal Employment). The biggest employer is the community services at 4 965, followed by Households at 1034 and agriculture at 915. Other sectors employ less than 200 people. Total number of informal employment is 2 128. This gives a total of 9 969 of employed people both formal and informal in Nkonkobe municipality

YEAR	2005	2006	2007	2008	2009
1 .Agriculture	1,144	1,061	1,109	1,069	915
2 Mining	5	4	4	4	3
3 Manufacturing	353	346	329	321	280
4 Electricity	33	31	31	29	27
5 Construction	620	557	539	495	426
6 Trade	1,542	1,502	1,370	1,414	1,263
7 Transport	282	271	264	335	307
8 Finance	181	184	188	204	211
9 Community services	5,386	5,218	5,356	5,571	5,502
10.households	958	947	1,023	1,094	1,034
Total Employment Per Sector	10,504	10,120	10,213	10,536	9,969

Total Employment Composition
EC127: Nkonkobe Local Municipality, 2009



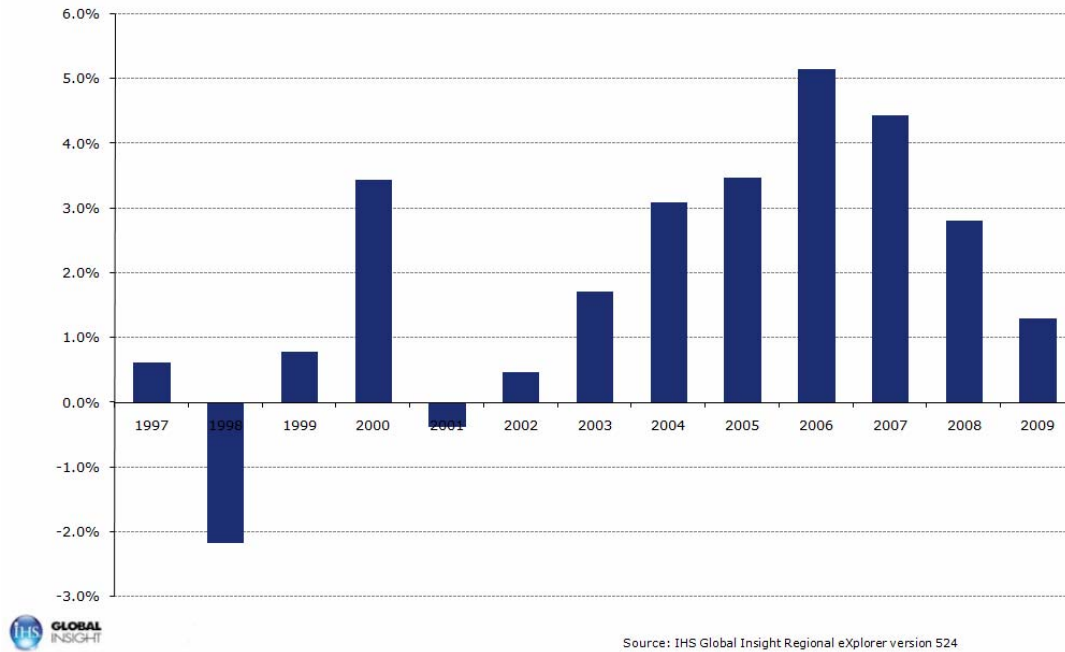
Source: IHS Global Insight Regional eXplorer version 524

2.10. Economic

2.10.1 Gross Value Added

The Gross Domestic Product for Nkonkobe municipality is R2 069 824.

GVA-R Total Growth
EC127: Nkonkobe Local Municipality



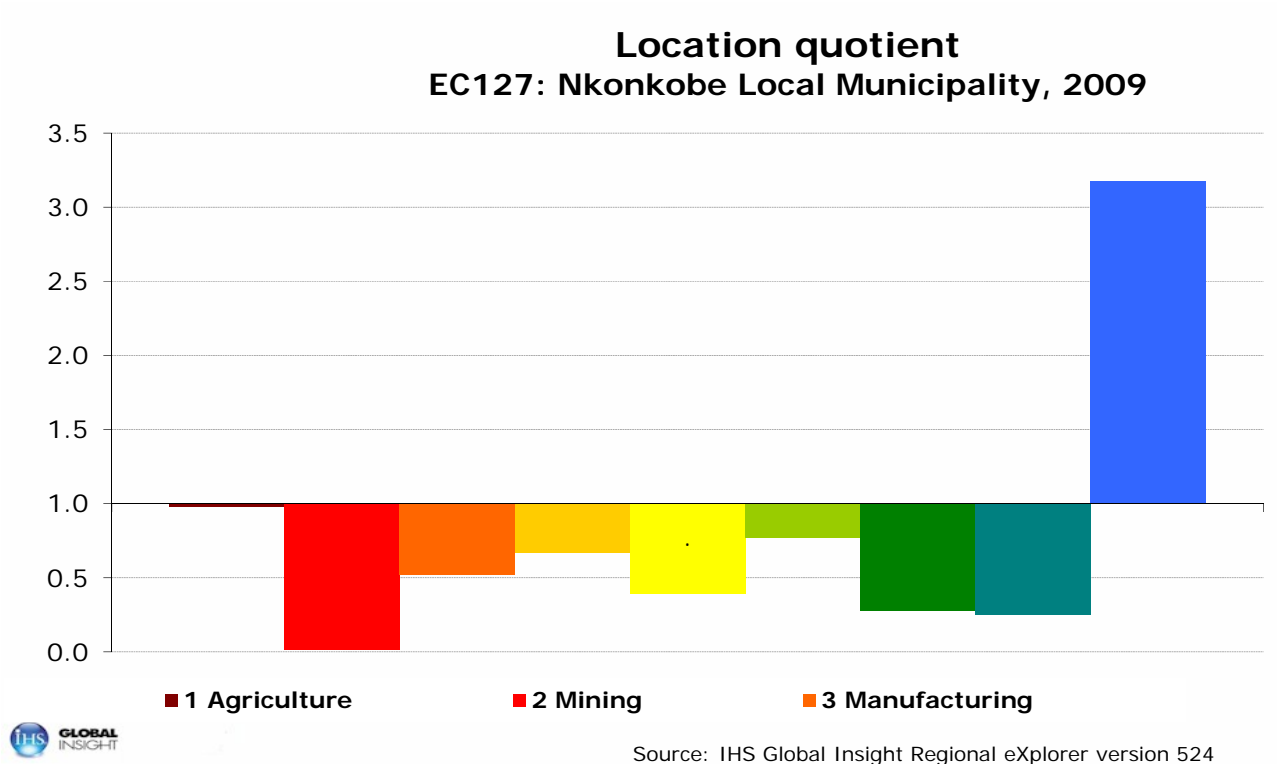
2.10.2 Labor Remuneration

Labour remuneration stands at R1 227 486 as per the three sector (primary, secondary and tertiary)

YEAR	2005	2006	2007	2008	2009
Labour remuneration	R801,465	R874,193	R973,653	R1,089,733	R1,227,486

2.10.3 Location Quotient

Location quotient is 1.00

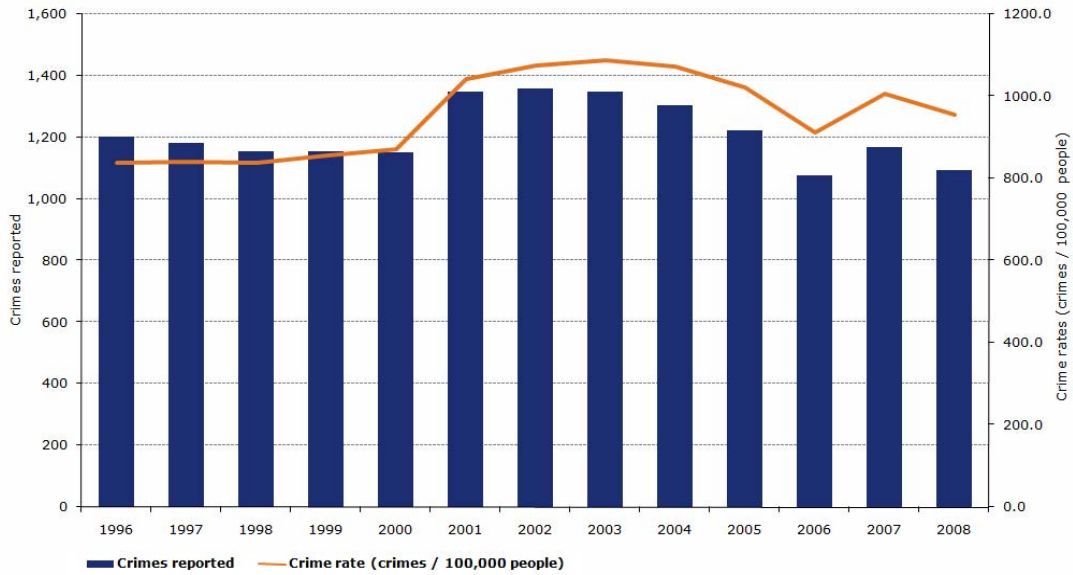


2.11 Crime

2.11.1 Crimes reported by detailed categories

Various types of theft were reported in 2008 ranging from, murder, sexual crimes, attempted murder, assault, robbery, arson, burglary, Theft, drugs, etc. The highest 3 reported crime were assault at 1385, burglary at 721 and theft at 549. Other serious crimes such as murder were reported at 66 and sexual crimes such rape were at 206.

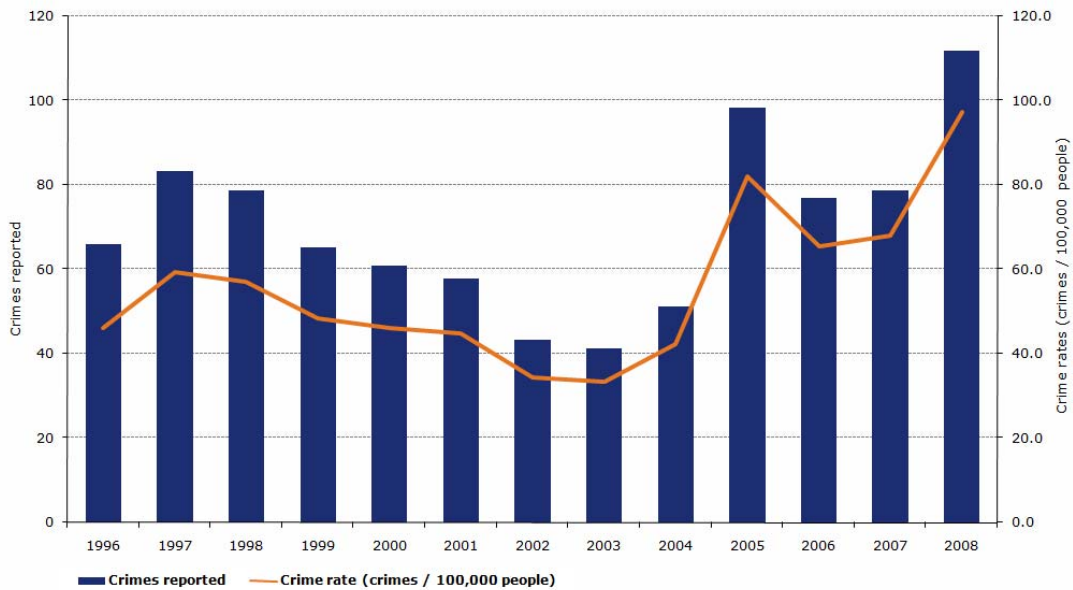
Crime - Assault with the intent to inflict grievous bodily harm
EC127: Nkonkobe Local Municipality



Source: IHS Global Insight Regional eXplorer version 524

The graph above shows that assault with intention to cause grievous bodily harm has remained high as they were above 1000 crimes reported.

Crime - Robbery with aggravating circumstances
EC127: Nkonkobe Local Municipality



Source: IHS Global Insight Regional eXplorer version 524

The graph above gives a clear picture that robbery in Nkonkobe municipality has been increasing up until 2008. The rate has reached 100. 0% by 2008.

D. Executive Summary (max 2 pages)

In the year under review (2010-2011), Nkonkobe Municipality had six departments, namely, Engineering, Corporate Services, Budget and Treasury, Strategic Planning and Local Economic Development as well as Community Services.

This report covers the period from 1 July 2010 to 30 June 2011. The report provides details concerning Council's major priorities for Nkonkobe residents and businesses. Having joined the municipality in June 2009, this is the first financial year that the Municipal Manager can safely say that all have improved significantly within the municipality .Siqhumisauthulingoku e Nkonkobe.

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The commitment and dedication of our employees to their work is extremely commendable. We know that what we do today matters to our communities now and in the future. We strive to improve our professionalism, to be better and to be the best that we can be.

PART 2: KPA ACHIEVEMENT REPORT

Chapter 1: Institutional Transformation and Organizational Development –KPA 1

1.1 Presentation of the organizational structure (approved organogram)

- 1.1 Organizational Structure
Printed and attached as annexure 1

1.2 Staff development initiatives during the Financial Year

DETAILED DESCRIPTION OF TRAINING INTERVENTIONS			
NO.	TRAINING COURSES	NO. OF CLLRS	NO. OF OFFICIALS
1.	Certificate in Municipal Financial Management	1	5
2.	Basic Accounting		5
3.	Minute Taking & Report Writing		5
4.	Labour Law	1	4
5.	K53		2
6	Record Management		15
7	First Aid		12
8	Customer Care		1
9.	OD-ETDP Learnership		1
10.	Local Law & Administration	3	
11.	Honours in Public Administration	1	
12.	Masters in Public Administration	2	
13.	Executive Leadership	1	
14	Annual Financial Statement Preparation		3
15	Tax Year 2011		4
16	Good Practice on Financial Statement		3
17	Billing Administration		7
18	Supply Chain Management Course		1

19	Bid Committee Training		5
20	Budget Reporting		1
21	Fixed Assets Management		3
22	Credit Control & Revenue Management		2
23	Debtors Reconciliation		4
24	Creditors Reconciliation		4
25	Budget & Treasury Procedures & Reports		3
26	Venus Training Academy		3
27	Supervisory Waste Management		4
28	GRAP Implementation Readiness		1
29	Volvo G930 Motor Grader		2
30	BL 71 Backhole Loader		2
31	Performance Management System		1
32	Project Management	1	1
33	Municipal Integrated Development Planning		1
34	LED Learnership		2
35	Core & Job Descriptions		12
36	Tar Patching		10
37	Operators Training		5

1.3 Key HR statistics per functional area

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

a. MM/Section 57 and Line Managers

BREAKDOWN OF POSTS PER DEPARTMENT AND DIVISION			
DEPARTMENT	NUMBER OF POSTS PER DIVISION	TOTAL	FILLED
Office of the Mayor	Executive Secretary	2	2
	Mayoral Driver	1	1
	Special Programmes Officer	1	1
	Career Counsellor	1	1
	Outreach Officer	1	1
		6	6
Office of the Municipal Manager	Municipal Manager	1	1
	Executive Secretary	1	0
	Manager-Speakers Office	1	1
	Executive Secretary	1	1
	Manager: Internal Audit	1	1
	Risk Management Auditor	1	0
	Performance Auditor	1	0
	Audit Clerk	1	1
	IT Technician	1	1
	TOTAL	9	6
Corporate Services / Human Resources & Administration	Senior Manager: Corporate Services	1	1
	Secretary to the Senior Manager	1	0
	Division: Human Resources	7	3
	Division: Committee Section	9	6
	Division: Fleet	8	6
	Division: Public Relations	2	2
	Division: Administration	25	22
	Division: Legal Services	25	5

	TOTAL	78	45
Budget & Treasury Office / Finance	Chief Financial Officer (C.F.O)	1	1
	Senior Accountant	1	1
	Secretary to the C.F.O	1	1
	Division: Procurement	5	3
	Division: Revenue Collection	17	12
	Division: Expenditure	6	3
	Division : Budget	2	2
	TOTAL	33	23
Engineering Services	Engineering Manager	1	1
	Secretary to the Engineer Manager	1	1
	Division: Electrical Services	14	12
	Division: Planning, Land and Housing	8	3
	Division: Project Management Unit	4	3
	Division: Technical Services	25	14
	TOTAL	53	34

Community Services	Senior Manager: Community Services	1	1
	Secretary to the Senior Manager:	1	1
	Manager: Auxiliary	1	0
	Manager: Cleansing Services	1	1
	Division: Library Services	12	7
	Division: Environmental Management & Recreation	13	1
	Section: Fire & Rescue	7	2
	Section: Traffic and Law Enforcement	15	10
	Section: Protection Services	34	25
	Division: Cleansing Services	88	69
	TOTAL	173	117
Strategic Planning	Senior Manager: Strategic Planning & LED	1	1
	Secretary to Senior Manager	1	1
	Division: Local Economic Development	5	3
	Division: IDP	2	2
	TOTAL	9	7
GRAND TOTAL		361	238

2. Technical staff registered with professional bodies

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
	3	1	2	2

3. Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
238	128	50	60

4. Trends on total personnel expenditure

BONUS – ANNUAL	2196918.00	89548.43	1897678.95	299239.05	86.37
CASUAL WAGE EMPLOYMENT	3524570.00	724446.65	3477246.96	47323.04	98.65
GENERAL ALLOWANCES & H.O.D	688100.00	-11689.88	603757.87	84342.13	87.74
HOUSING SUBSIDY ALLOWANCES	614944.00	45278.40	550676.90	64267.10	89.54
REDEMPTION OF LEAVE	0	-75378.59	0	0	0
SALARIES	25808922.00	2791364.41	25801912.18	7009.82	99.97
SALARIES: OVERTIME PAID	1445461.00	123268.04	1334850.11	110610.89	92.34
STANDBY ALLOWANCES	414092.00	27159.61	350778.59	63313.41	84.71
TRAVELLING ALLOWANCES	1984067.00	179642.16	1878062.49	106004.51	94.65.
SUB-TOTAL: EMPL SALARIES & WAGES	36677074.00	3893639.23	35894964.05	782109.95	97.86
EMPL RELATED COSTS-SOCIAL CONTRIBUTIONS					
BARGAINING COUNCIL CONTRIBUTIONS	12866.00	963.50	11574.30	1291.70	89.96
GROUP INSURANCES	124144.00	10320.19	114926.46	9217.54	92.57
MEDICAL AID CONTRIBUTIONS BY COUNCIL	1423281.00	108764.73	1290680.19	132600.81	90.68.
PENSION CONTRIBUTIONS BY COUNCIL	3789985.00	318500.67	3781008.94	8976.06	99.76
UNEMPLOYMENT FUND COUNCIL CONTRIBUTI	306841.00	23990.38	292340.69	14500.31	95.95
SUB-TOTAL: SOCIAL CONTRIBUTIONS	6113417.00	591502.07	5928363.24	185053.76	95.27
REMUNERATION OF COUNCILLORS					
COUNCIL CONTR.TO RETIRED STAFF MEDIC	136090.00	10885.90	135628.80	461.20	99.66
COUNCILLOR CELLPHONE ALLOWANCES	475141.00	41334.50	474673.20	467.80	99.90
COUNCILLOR MEDICAL AID CONTRIBUTIONS	322086.00	26231.83	322078.87	7.13	99.99
COUNCILLOR MONTHLY ALLOWANCES	6950075.00	577230.08	6950015.83	59.17	99.99

COUNCILLOR TRAVELLING ALLOWANCES	2175091.00	196708.16	2149381.40	25709.60	98.81
SUB-TOTAL: REMUNERATION OF COUNCILLORS	10058483.00	852390.47	10031778.10	26704.90	96.97

5. List of pension and medical aids to which employees belong

MEDICAL AIDS

1. BONITAS
2. HOSMED
3. LA HEALTH
4. SAMWUMED
5. KEY HEALTH

PENSION FUNDS

1. CAPE JOINT RETIREMENT
2. SALA (SOUTH AFRICAN LOCAL AUTHORITIES)
3. GEPF (GOVERNMENT EMPLOYEE PENSION FUND)
4. VERSO

SNPF (SAMWU NATIONAL PROVIDENT FUND)

6 Senior officials' wages and benefits

Designation	Basic Salary	Cell phone Allowance	Housing Subsidy	Travelling Allowance	Total
Municipal Manager	36919.21	3900.81	8362.00	12350.00	61532.02
CFO	30765.43	3500.00	7043.28	9967.00	51275.71
Strategic Planning Senior Manager	30765.43	3500.00	7043.28	9967.00	51275.71
Corporate Services Senior Manager	30765.43	3500.00	7043.28	9967.00	51275.71
Engineering Manager	30765.43	3500.00	7043.28	9967.00	51275.71
Community Services Senior Manager	30765.43	3500.00	7043.28	9967.00	51275.71

7. Implementation of the Performance Management System (PMS):

The Municipality reviewed and adopted its performance management framework on the 31 May 2010. The institutional performance management was done by means of submission of reports to council. Only section 57 managers signed performance agreements and however no performance reviews were conducted.

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

Transformation and organizational development

No.	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	123 from 361	Out of 123 positions 27 positions were filled	40%	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	100% 6 out of 6	All Senior Managers positions were filled	100%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	80% 4	CPMD	80%	The rest to be accommodated in the next financial year.
4	Percentage of Managers in Technical Services with a professional qualification	56% 3	Renewal of contract of one Technician		
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)				
6	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year-term	70%			Training is undertaken as specified by individuals in their Skills Plan.
7	Percentage of councillors who attended a skill development training within the current 5 year term	60%			Individuals selected as per their competency and capability.
8	Percentage of staff complement with disability	0%			
9	Percentage of female employees	60% including female Councillors			

10	Percentage of employees that are aged 35 or younger	50%			
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8. Major challenges and remedial actions in regard to human resource and organizational management

MAJOR CHALLENGES	REMEDIAL ACTION
Retention of staff	Have a retention policy & strategy
Staff that are not well capacitated	Sourcing of funds to train employees & councillors in all operation
Policies that are not tailor made for the local municipality	Reviewal of polices

Chapter 2: Basic Service delivery performance highlight

2.1 Electricity services

a. Electricity services delivery strategy and main role-players

The Nkonkobe Municipality's primarily supplies electricity to Fort Beaufort Town, Hillside, Newtown and Bhofolo Township. The main, primary and only supplier of electricity to the Nkonkobe Municipality is Eskom. It is the aim of the Electricity Department to supply good clean uninterrupted power to the consumers.

b. Level and standards in electricity services

To briefly summarize this section, the Municipalities country wide are governed by a national standard for low and high level access to electricity as well as the quality of the electricity supply applied in the Electricity Supply Industry. These standards are set out in the NRS 048-1:1996/047-2:1996/047-3:1996 (Quality of Supply) and NRS 047:1996 (Quality of Service) and NRS 047-1:1999/047-1:1999 (Quality of Service). Unfortunately these documents are too much to be included in this report, (6 booklets in all), but can be viewed at the Electricity Department Offices. It is thus according to these standards that the department gauges the reporting that is done and the standards, goals and targets that are annually set.

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

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
Percentage of households with access to electricity services	12 560 100% of Urban Areas	0	0	0	100%
Percentage of indigent households with access to basic electricity services	20 158 60%	7500	1400	12 840	50%
Percentage of indigent households with access to free alternative energy sources	N/A	N/A	N/A	N/A	N/A

d. Major challenges in electricity services and remedial actions

- The Electrical Section of the Engineering Department, like other departments have problems of staffing, equipment.
- The fortunate part about these problems is that all the problems have been acknowledged identified and the Municipality is overcoming them at present.
- These problems are being addressed in order to fast track service delivery which is the essence of the local government.

2.2 Road maintenance

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

The Municipality's role with regards to road maintenance services delivery is to maintain and upgrade paved roads and unpaved roads in rural areas (internal streets), by tar patching and resealing of damaged surface roads, blading and regraveling of unsurfaced roads and improving stormwater drainage. To assess conditions of municipal roads and implement a maintenance plan and to purchase heavy roads construction equipment. From July 2008 up to June 2009 this section graded about 19000 km of road, this includes blading of roads in rural villages. A total length of 6600 square.km tar patching was also done. Road maintenance strategy is to extend and improve the road network, including maintenance of existing roads by involving tar patching, resealing of damaged surface roads, blading and regraveling of unsurfaced roads.

b. Level and standards in road maintenance services

In terms of high-level access to road maintenance by the population, the municipality is currently dealing with that kind of maintenance through the provincial Department of Roads and Transport because there are no funds to perform that kind of services. The only maintenance that the municipality is currently doing is blading the access roads using the only available grader. The maintenance of stormwater is done using the local labourers. Because of budget constraints the municipality has got no road maintenance team, a fully-fledged team. This will be addressed over the coming financial years by purchasing equipment one by one each year.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	2000	2000	1500	1200	60%
2	Percentage of road infrastructure requiring upgrade	1424km	1424km	100km	95km	95%
3	Percentage of planned new road infrastructure actually constructed	N/A	N/A	N/A	N/A	N/A
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.					

d. Major challenges in road maintenance services and remedial actions

Challenges in this section involve around a shortage of staff and equipment eg. Escavator, gridroller, graders, bulldozer, two tipper trucks and one TLB and due to the capacity problem, the municipality could not meet its target in terms of maintaining rural roads as well as urban roads. The demand for grader services during funerals and other official events worsened the situation. To attend to challenges Engineering Department had requested the Department of roads and transport to assist with the roads rehabilitation without any success.

2.5 Waste management

- a) This service is rendered in the semi urban areas of Fort Beaufort; Alice; Middledrift; Seymour and Hogsback and is classified as follows:
- Urban residential refuse collection
 - Trade/business refuse collection
 - Central business district (CBD) street cleaning
 - Garden refuse removal
 - Removal of illegal dumpings
 - Solid waste sites
 - Environmental/ waste awareness activities
 - Development of related sector plans (IWMP)

b) Urban residential refuse collection

Black bag/bins kerbside collection is done once per week. Four refuse bags are distributed by the Municipality to households per month.

c) Trade/Business refuse collection

Refuse in business premises is collected as per agreement which is based on the volumes of refuse generated. Only a few number of business premises have proper refuse storage facilities.

d) CBD Street cleaning

This service is only offered in CBD streets on a daily basis (Monday – Saturday). Litter bins are strategically placed along the pavements for use by pedestrians. A few concrete bins were installed in Alice and Fort Beaufort by Combo Sign Company. The institution also introduced a concept of waste management cooperatives which has been piloted in Newtown; which means therefore that this service will be expanded to townships.

e) Garden refuse removal

Garden refuse is collected upon request by individual households and charged accordingly.

f) Removal of illegal dumping

There is a huge challenge with illegal dumping more especially in residential areas. A few number of illegal dumping sites have been cleared in Newtown and Bhofolo location and “no dumping” signs were mounted. As an attempt to curb illegal dumping; two refuse drop – off points were constructed in Newtown. The institution also introduced a concept of waste management cooperatives which has been piloted in Newtown.

g) Solid waste sites

- Hogsback – not permitted (not operational)
- Seymour – not operational (operational)
- Fort Beaufort – not permitted (not permitted)
- Fort Beaufort refuse transfer station – permitted (partly operational)
- Alice – permitted (operational)
- Middledrift – permitted (operational)

Processes for the construction of Seymour and Hogsback refuse transfer stations are underway and are at the stages of conducting Environmental Impact Assessment (EIA).

h) Environmental/waste awareness activities

Among other awareness activities conducted in the department are cleaning campaigns. Two cleaning campaigns were conducted in collaboration with government departments such as Correctional Services; Education; Health; Agriculture; Social Development; Transport; Public Works; Environmental Affairs as well as Amathole District Municipality at Cape College and Bhofolo location.

i) **Development of integrated waste management plan (iwmp)**

In terms of the National Environmental Management: Waste Act; 2008 all municipalities must develop their Integrated Waste Management Plan (IWMP). The Municipality is in the process of having its IWMP developed; processes are underway.

j) Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	15260	1036	600	14 660	96%

k) **Major challenges in waste management services and remedial actions**

- Waste disposal sites operating without permits
- Non enforcement of waste disposal by – laws
- No Integrated Waste Management Plan (IWMP)

Remedial Actions

- Studies for the assessment; closure and rehabilitation of non – permitted waste sites are underway.
- Enforcement of by – laws
- Development of IWMP is underway

2.6 Housing and town planning

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

The Nkonkobe municipality ensures that residents have access to houses when the department of Human settlement approved planned housing developments in the council area.

The council initiate, plan, co-ordinate and facilitate the developments in consideration of housing code for Provincial and National.

b. Level and standards in Housing and town planning services

The municipality have identified a need for housing projects in townships and villages around but there are no funds for such, application for funding already submitted to the Department of Human Settlement. There are pieces of land set aside for surveying, installation of services and recreation places waiting for funds to develop

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	25%	500	200	200	5%
2	Percentage of informal settlements that have been provided with basic services	20%	500	150	100	10%
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	40%	400	260	400	50%

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

2.7 Spatial planning

a. Preparation and approval process of SDF:

Nkonkobe SDF was adopted in 2010 and is implemented in reference to the projects approved in the IDP

b. Land use management:

- **Rezoning,**
One application was received and it was approved: F484 from residential to institution 1
- **Sub-division**
Application was received form 178,170,180 and 939
- **Consent use**
No application received
- **Removal of restrictive conditions**
No application received
- **Township establishments**
No establishments done

c. Major challenges in spatial planning services and remedial actions

Land that is identified is still controlled by the state, Lack of funds to do studies on suitability i.e EIA

2.8 Indigent policy implementation:

a. Preparation and approval process of the indigent policy

The indigent policy was developed and approved by the council March 2010.

b. Implementation of the policy

The Indigent policy, number of indigents receiving subsidy is 17 433 as at June 2011, and the register is updated on a yearly basis.

The total income per household must not exceed the combined total of the pensions of two old age state pensioners

Free Basic Service offered per household as follows:

Electricity	50kw
Refuse removal	R65.00
Property Rates Exempted	R35 000

2.9 Overall service delivery backlogs

Road maintenance backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	1424 km		500km	1424km		1000km graded
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	88%		12%	88%		12%
Spending on new infrastructure to eliminate backlogs (R000)		554582.00	554582.00		730000.00	730000.00
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R600 m	554582.00	554582.00	R680m	730000.00	730000.00
Total spending to eliminate backlogs (R000)	R600 m	554582.00	554582.00	R680m	730000.00	730000.00
Spending on maintenance to ensure no new backlogs (R000)						
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5008	0	5008	0	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	61.0%	0	61.0%	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0

Spending on renewal of existing infrastructure to eliminate backlog (R000)	n/a	n/a	n/a	n/a	n/a	n/a
Total spending to eliminate backlogs (R000)	0	n/a	n/a	n/a	n/a	n/a
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0

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

3.1 Brief presentation of LED strategy/plan

The municipality had no LED strategy in the year under review. Department Local Government and Traditional Affairs has contributed an amount of R100, 000 towards the development of the LED strategy. In accordance to this fund contributed by DLGTA, a socio-economic profile for the municipality has been conducted and a process is underway to develop the full strategy. It is however important to highlight the fact that the municipality in its IDP 20010/2011 has prioritized LED as one of its programmes. The LED program of the municipality prioritized four areas; agriculture, tourism, SMME development and forestry. The main role players were: Department of Agriculture, Department of Economic Development and Environmental Affairs (DEDEA), Social Development and business community. The LED unit is not fully functional as the tourism is still without a dedicated official, however two more officials have been employed to assist with LED responsibilities, one official was employed as part of the municipal support program by the Department of Local Government and Traditional Affairs as an LED Assistant and the other by the municipality as the Rural Development officer focusing on agriculture. The LED forum has been fully established during 2010/2011.

Funding opportunities for LED

The following institutions funded LED initiatives

INSTITUTION	BUDGET	TYPE OF PROGRAM
Department of Agriculture	R2,104,000	Landcare (Eradication of noxious weeds), Food security (Siyazondla and Massive Food) and citrus (Alice/Kat Citrus Trust).
Department of Agriculture	R1,300,000	CASP (Comprehensive Agricultural Support Program)-Boreholes and damscooping.
Municipal Infrastructure Grant(MIG)	R1,862,166	Local Economic development Infrastructure
Municipal Budget For LED	R1,600,000	Local Economic Development projects and Community Based Planning Projects
Social Development	R 4,843,090	Women development, Sustainable Livelihoods, HIV/AIDS, Women Empowerment, Family Development, Crime Prevention and Youth Development.
DEDEA (Department of Economic Development	R300,000	Feasibility Study for Eco-Tourism Development around the Maqoma Caves

and Environmental Affairs)		and the establishment of a cultural village at Gqugesi Location.
Special Programmes	R600,000	For special programmes

3.2 Progress towards achieving the LED key objectives

a. **Improve public and market confidence**

The municipality reviewed its spatial development framework and was adopted on 31st of May 2010. The licensing function was under the district municipality; however the municipality paid all the creditors in time in the year 2010/2011. The municipality had the following policies and by-laws to regulate business, street trading by-law, advertising of signs by-law, prevention of nuisance by-law, liquor trading by-law and new property rates by-law. The municipality improved its roads infrastructure for purposes of economic development. Disaster management policy was approved by the council as way of creating conducive environment towards economic development. Electricity infrastructure was also improved, for example street lights and high must lights were maintained to reduce crime and attract more investment.

b. **Exploit Comparative and competitive advantage for industrial activities**

The municipality has engaged the department of Rural Development and AgrarianReform (RDLR) for the purposes of reviving its irrigation schemes and addressing food security and livestock improvement issues. The municipality also started an initiative towards the development of tourism around Maqoma caves and Gqugesi village and so far a feasibility study for the development of an eco-tourism infrastructure has been conducted. In this initiative all tourism stakeholders have been engaged including the Department of Economic Development and Environmental Affairs (DEDEA) as a key partner who took responsibility of providing funds so that the feasibility study could be conducted.

c. **Intensify Enterprise support on business development**

The municipality supported SMMEs and co-operatives through its procurement process and provided support by means of training to various cooperatives. The municipality partnership agreement with MTN assists in the following areas, namely; arts and craft, education, health and business support. The municipality also signed an agreement with National Youth Development Agency where two young people were employed. The two young people employed were outreach officer and the career councillor and the main purpose of the agreement is for the support of the youth of Nkonkobe.

d. **Support social investment program**

The municipality supported cooperatives and 20Community BasedPlanned projects in 2010/11. It also assisted 2 poultry projects-MasihlumeMagwali and Sokwakhana,Mxhelo bakery and Nomzamo cleaning services co-operatives by providing inputs and equipment. The department under its section for special programs had the following programs in the year under review, Women’s Month (August 2009-2010), 16 days of Activism Against Women violence and Child abuse, Disabled month(International Day for disabled people) December 2009-2010, Nkonkobe Youth Council, Nkonkobe Disabled forum, Nkonkobe Children’s advisory

3.3 Annual performance as per key performance indicators in LED

	INDICATOR	TARGET SET FOR THE YEAR	ACHIEVEMENT LEVEL DURING THE YEAR (ABSOLUTE FIGURE)	ACHIEVEMENT PERCENTAGE DURING THE YEAR
1	Percentage of LED budget spent on LED related activities	R2,162,000 Excluding: Construction of VICin DEBENEK&Construction of Road to Nontetha grave.	R1,306,712	60%
2	Number of LED stakeholder forum held	1	1	100%
3	Percentage of SMME that have benefited from a SMME support program	40	16 trained by UFH	40%
4	Number of Job opportunities created through EPWP	600	545	91%
5	Number of job opportunities created through PPP	2	2	100%

3.4 Challenges regarding LED strategy implementation

The municipality had no LED strategy; however it had an LED programme. The serious challenge of unavailability of key LED personnel has been slightly mitigated as two personnel's have been appointed and commenced duties during the period of January 2011 and April 2011. DLGTA made funds available for conducting a socio-economic profile and it has been completed. However the development of an LED strategy will be undertaken in the next financial year.

Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

4.1 The audited financial statements

Attached as Annexure

4.2 Budget to actual comparison

Actual Income and Expenditure 2010/2011 compared to actual Budget.

	BUDGET	ACTUAL	%
Salaries, Wages and Allowances	R 42,790,491	R 41,797,075	97.67
Councillor's Remuneration	R 10,194,573	R 10,166,915	99.72
Repairs and Maintenance	R 5,444,600	R 5,140,418	94.41
General Expenditure and other	R 55,887,927	R 55,550,199	99.39
CAPEX(MIG and CRR)	R 29,370,000	R 25,737,226	87.63
REVENUE			
Property Rates	-R 7,000,000	-R 4,782,268	68.31
Service charges	-R 21,400,708	-R 15,245,844	83.66
Rent of facilities and interest on ext-investments	-R 8,953,644	-R 8,386,811	93.66
Interest earned –outstanding debt	-R 4,945,504	-R 5,184,400	104.83
Revenue for agency services	-R 2,500,000	-R 2,177,174	87.08
Fines	-R 227,427	-R 104,216	45.82
Other Revenue	-R 5,710,140	-R 987,974,21	17.30

4.3 Grants and transfers' spending

Grant details			AMOUNT RECIEVED									
			01 July 10 – 30 Sept 10		01 Oct 10 to 30 Dec 10		01 Jan 11 to 30 Mar 11		01 April 11 to 30 June 11		Total	
Project name	Donor name	BF amount	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
Equitable share	National Treasury	R 0.00	R 30,273,400	R 25,674,901	R 24,218,720	R 22,636,951	R 18,164,040	R 32,227,132		R 50,434,682	R 72,656,160	R 130,973,666
FMG	National Treasury	R 0.00	R 1,200,000	R 578,724		R 455,892		R 91,883		R 80,699	R 1,200,000	R 1,207,198
MSIG	CoGTA	R 0.00	R 750,000	R 390,004		R 105,022		R 205,246		R 64,777	R 750,000	R 765,049
MIG	CoGTA	R 0.00	R 9,198,000	R 5,850,624	R 4,000,000	R 6,626,131	R 4,839,000	R 2,636,171		R 2,440,905	R 18,037,000	R 17,553,831

4.4 Meeting of Donors' requirements in respect of conditional grants

During the year in question only the following conditional grants received in the form of cash, Municipal Infrastructure Grant, Municipal Systems Improvement Grant, Finance Management Grant. As conditional grants the bases of spending as the requirement is based on the agreed purpose of allocation. The spending reported in 4.3 is in accordance with the agreed conditions e.g., the spending on the MIG is only on infrastructure related projects. All conditional grants conditions were met.

4.5 Long term contracts entered into by the municipality

Supplier's Name	Commencement Date	Termination Date	Period	Type of Contract	Comments
Gobodo	15/03/2011	End of 2011 audit	7 months	Professional services	Active
NASHUA East London	1/11/2010	30/06/2013	36 month	copiers Seymour	Active
DELYN Security Service	1/01/2011	31/12/2011	12 month	security banking	Active
Skhomowamamfene	1/04/2011	1/04/2012	12 month	lease POS	Active
Abantu Arts	1/05/2011	1/05/2012	12 month	lease VIC Alice	Active
Xerox	1/7/2010	30/06/2012	24 months	lease photocopier Machines	Active
Aon	1/7/2009	30/08/2011	36 months	Insurance	Active

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R 29,370,000	R 25,737,225.64	87.63%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R 52,848,974.00	R 51,828,362.71	45.39%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	R 18 122 258.00	R5 ,553,017.32	4.70%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R 142 930 423.00	R 18 122 258	12.67%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction			
6	Percentage of MIG budget appropriately spent	R 18,037,000	R 18,037,000	100%
7	Percentage of MSIG budget appropriately spent	R 750,000	R 750,000	100%

4.7 The Audit committee functionality

The function of the Audit Committee is primarily to assist the Nkonkobe Municipality in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 58 of 2008 and has endeavoured to comply with its responsibilities arising from those requirements.

The Committee has performed its duties according to its terms of reference in the form of an Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significant reporting financial reporting judgements.
- To review the effectiveness of the Council's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.

To oversee the relationship with the internal and external auditors, including agreeing the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge rather than assume responsibility for any matters within its remit.

Composition of the Audit Committee and Attendance of Meetings

The Committee commenced the year with threemembers and held the first meeting on the 12 July 2011. Shortly after in October 2011 one member resigned from the committee (Mr. A. Keet).The Council appointed two additional members and they resumed their duties on the 7th June 2011.A second meeting for the year was on the 23 June 2011. The Committee should meet at least four times a year as per its approved terms of reference. During the year under review two meetings were held.

Member	No. of Meetings attended
1. Mr. L Qupe	1
2. Mr.A. Keet	1
3. Mr R. J Hill	2
4. Mr.Rortlieb	1
5. Mr. Thabo Labase	0

The committee meetings were attended by the internal auditor. It is recommended that these meetings be attended by top management as well to confer thereto visibility and support, more so because the formal Internal Audit Unit is not fully established within the Municipality.

Effectiveness of Internal Control

Two internal audit assignments had been completed by end of June 2011. With the incumbent having assumed duties in June 2011 it is safe to state that the internal Audit function did not operate effectively for the year 2010/2011.The committee has made recommendations to council but the report has not been tabled to council, the internal auditor plays an administrative role to Audit committee. Risk Management Process was conducted by the Internal Audit for the year 2010/2011.An amendment to the Terms and Reference (Audit Committee) has been approved by the council on the Specification requirements.

Recommendations:

- The Performance Management Policy to clearly state the responsibility of Internal Audit.
- Outsourcing the Internal Audit Unit.

4.8 Arrears in property rates and service charges

Arrears on property rates & services charges as at June 2011 R36 828 809

A. Property Rates	R 18 604 967
B. Services Charge	R 18 223 846

4.9 Anti-corruption strategy

The municipality has developed its anticorruption and prevention strategy in 2009/10 financial year and was approved by the council .The said strategy is however not yet fully implemented.

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

5.1 Overview of the Executive and Council functions and achievements;

- The Statutory duties and functions of the Executive and Council are prescribed by:

- The Constitution
- The Local Government: Municipal Structures Act
- The Local Government: Municipal Systems Act
- The Municipal Finance Management Act

The Executive Committee must:

- Identify the needs of the Municipality.
- Review and evaluate those needs in order of priority.
- Recommend to the Municipality Council strategies, programmes and services to address priority needs through the Integrated Development Plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans.

- The Council must:

- Determines the overall strategic policy applicable to the Municipality as a whole which gives macro direction to its executive and which guides the formulation of all the policies.
- Approves Integrated Development Plan
- Approves the Performance Management Systems
- Establishes committees in terms of Section 79 and 80 of the Systems Act
- Determine the terms of reference of the established committees
- Executive Committee led by the Mayor as per the Municipal calendar of the Council held Executive Committee meetings. Special Executive Committee meetings were also held, as there were matters that needed to be discussed and go to council meeting for council to take resolutions. Ordinary Council meetings also set as required by legislation and there were Special Council meetings, which had to sit in order for Council to take resolutions on urgent council business.

- Executive and Council Achievements:
 - Establishment of Whips Committee
 - Establishment of Women’s Caucus
 - Establishment of Rules Committee
 - Establishment of Oversight Committee
 - Establishment of Audit Committee
 - Budget/IDP was adopted on the 31May 2009by Council

5.2 Ward committees’ establishment and functionality

Section 4 of the Municipal Systems Act requires that the Municipality:

- Develop mechanisms, processes and procedures for community participation through its political structures, and other appropriate means established by the municipality;
- Hold consultative sessions with locally recognized community organizations and traditional authorities;

Ensure public meetings and hearings by the municipal council and other political structures and office bearers of the municipality.

- Mayoral Imbizos and implementation of issues raised;
- Public hearings
- Shortage of staff in the office of the Speaker led to lack of public participation in 2009.
- Non-existence of the advisory committee for Public Participation.
- Customer satisfaction surveys
- No customer satisfaction surveys were done.

5.3 Ward committees’ establishment and functionality

The Municipality is expected to report on the establishment of ward committees and their functionality. The report on functionality of a ward committee should at least address the following elements:

- Members attendance to meetings;

Municipal Structures Act (Act No. 117 of 1998) provides for the establishment of ward committees. Ward committees are structures created to assist the democratically elected representative of a ward (the councillor) to carry out his or her mandate.

Nkonkobe municipality has 21 wards and ward committees as per the municipal calendar are supposed to sit quarterly but in most instances that does not take place as Councillors do not submit items to be discussed in those meetings as the chairpersons of ward committees. The financial year under review not all ward committee meetings managed to sit and is difficult for the office of the Speaker to get minutes of these meetings as the staff members that provide office support are Committee Clerks.

- Availability of minutes of ward meetings;

Minutes per ward are supposed to be available & filled per ward kept in the office of the Speaker but that do not take place as it is difficult to get those minutes from Committee Clerks.

- Written proof of tabling resolutions to Councils;
- Availability of minutes of feedback meetings with communities;
- Some councillors do hold community meetings but they don't submit minutes to the office of the Speaker.
- Availability of Ward committee activity reports

5.4 Community Development workers performance monitoring

The Municipality is expected to report on the mechanism put in place to monitor CDW performance. Beside indicators developed by the Municipality, some of element to consider may include:

- An official responsible for the management of CWDP
- CDW's to always sit in Ward Committee meetings as Ex-officio for the empowerment of Ward Committees.
- Signing of Memorandum of Understanding (MOU) between the Department of Local Government and Traditional Affairs and the municipality.
- Provide consolidated monthly reports to Council, ADM and the Department of Local Government and Traditional Affairs.
- Holding of monthly meetings between the office of the Speaker and the CDW Co-ordinator.
- CDW's to assist in gathering of information.

Monitoring of Community Development Worker Programme (CDWP)

- Holding of Provincial, District and Local Round Table Session by CDW Co-ordinator
- Distribution of working tools to all CDW's viz; case sheets, mobilisation sheets and referral sheets.
- Submission of weekly programmes to the CDW Local Co-ordinator
- Quarterly and annual assessment to all CDW's by the Provincial Department of Local Government and Traditional Affairs

Deployment of CDW's

Name	Ward Number	Contact No
NolukhanyisoTyombo	1	078 5444 219
Olwethu Bam	2	076 5249 052
LumkaBaartman	3	078 2487 818
FezileYeki	4	072 8570 460
XolaniJavu	5	083 8997 008
SingilizweNivi	6	079 6133 347
NtomboxoloMatsha	7	078 2843 514
MandisiKhetshengane	8	083 5486 422
LuthandoGwayi	9	084 7998 469
MzwabantuStemele	10	082 5403 321
Mzimkhulu Matayo	11	073 8441 087
MelikhayaNyamezele	12	072 0174 012
MlamliMaphempeni (suspended)	13	
SigqiboLeve	14	083 7153 011
Zukiswamafani	15	083 9980 108
ZimkhithaNtsangani	16	082 5367 349
Vacant	17	
VusumziTolbat	18	082 3901 138
ThamiNduzulwana	19	073 1275 316

Vacant	20	
NombuleloNontshinga	21	078 2880 048

Participation of CDW's in the Municipality activities e.g. IDP

- Take issues of local concern to the Councilors.
- Has a direct say in the planning, decision making and project implementation that has an impact on their ward
- Increases the participation of local residents in the municipal decision making
- Can monitor the performance of municipalities and take issues of concern to the local ward
- Can identify and initiate projects to improve the lives of people
- Help government achieve the People's Contract of a better life for all
- Coordinate teams of volunteers in community projects
- Helps communities develop and submit proposals for inclusion in IDPs, other spheres of government or donors
- Coordinate inter departmental programmes & encourage integration
- Inform communities about problems in the delivery of basic services
- Liaise with and advocate on behalf of communities with NGOs & donors
- Resolve disputes and refers unresolved disputes to the municipality. Identify community needs and priorities in consultation with communities and make submissions to council.
- Mobilize NGOs, CBOs, business, farmers, women and youth groups etc. to participate and make proposals on IDP and budget for consideration by council
- Mobilize local residents, community initiatives and resources and encourage partnerships and cooperation between municipal government and residents for implementation and maintenance of project.
- Promote transparency and accountability of local government by making IDP a public event and forum for negotiating conflicting involvement of communities/ community representatives in the evaluation of potential service providers, service provision and monitoring of service providers

5.5 Communication strategy

- **Development stage of the communication strategy**

A draft communication strategy which was developed with the assistance of Councillors, Ward Committee members, officials, Community Development Workers, Office of the Premier, Department of Local Government and Traditional Affairs, Government Communications and Information Systems together with Amatole District Municipality is yet to be reviewed. Thereviewal is planned to take place after the new council elected on May 18 has been inducted. This is to ensure full involvement of current council members and to gain its maximum support and ownership of the strategy.

- **Human resource available to lead the communication activities**

The communication unit was operating with just one incumbent until February of the year under review. An additional staff member was recruited enabling communication activities to be well attended with limited concerns from both the external and internal public. Prior to the appointment of this individual, all communication related activities were a responsibility of one.

- **Infrastructural resources available for communication activities**

The municipality purchased equipment to enable in house development of required material however part of the printing is done externally due to the low capacity of printing tools in the institution. Relevant information detailing functions of the municipality per department has been packaged and consolidated. These service booklet are at the printing stage with external printers.

5.6 Intergovernmental Relations

The Municipality has experienced myriad challenges in the sitting of IGR meetings as a result a number of meetings were called and postponed either due to non-attendance by sector departments non submission of reports as expected of them. Most departments at times were represented by junior officials who have no mandate to take decisions; this affected the effectiveness of the IGR. Stability was reached at some point with departments showing commitment again with the scheduled meetings taking place.

IGR meeting has only been held twice during the current financial year with one being called off.

5.7 Legal matters

5.7.1 Setting up of Legal Units

The municipality has a legal Services Section within the Corporate Services Department.

Composition of the Legal Unit.

1. Manager Legal Services

Legal services outsourced

The following is the list of legal Firms used during the year under review.

1. Adv L Bono and AdvMsizi Clyde Street, Central, Port Elizabeth
2. S.Z Sigabi and Associates 5 Arthur Street, King Williams Town
3. Hanesworth and Nienaber 37 Henrietta Street, Fort Beaufort
4. Drake Flemmier and OrsmondInc 22 st James Street, East London
5. Smith TabataInc Southernwood, East London
6. Nongogo, NukuInc, East London
7. KoseMfazilInc, East London
8. Dyushu,Majebe Attorneys, East London

5.8.2 Management of litigation

1. Case load management with specific reference to:

a) Favorable cases

Case Name	Recovery Yes/No	Reasons for non recovery
Nkonkobe Municipality Queen Williams	Yes - Dismissed	Adv Bono awaiting taxation from CCMA
Nkonkobe Municipality Trade Mart Auctioneers	Yes - Payment of proceeds effected but a portion outstanding. Smith Tabata is handling the matter.	TradeMart Auctioneers unwilling to pay outstanding amount. SmithTabata instructed to claim the amount.
Nkonkobe Municipality MalixoleNcume	Yes – Lost case and the Municipality is claiming costs, Smith TabataInc are busy with	Municipality received R38 000,00 as costs.

	claiming costs from the applicants. The process continues.	
Nkonkobe Municipality Vellem	Yes - Case amicably agreed to be dropped	Case dropped from proceeding to Labour Court.
Nkonkobe Municipality / Kleinbooi	Yes – Employee dismissed from employment but appealed and the appeal was upheld	Employee dismissed
Nkonkobe Municipality / Minana	The hearing continued and the employee was found guilty of misconduct.	Employee found guilty of misconduct
Nkonkobe Municipality / Dastile	The hearing was held and the employee was found guilty and dismissed. He appealed and dismissal upheld. Employee took the matter to arbitration.	The arbitration awarded that the employee be reinstated.
Nkonkobe Municipality / Resha	Yes – The matter has been completed.	Matter completed.
NkonkobeMun // Cape Joint Retirement	Yes	Municipality obtained Court Order

b) Unfavorable cases

Case Name	Recovery Yes/No	Reasons for non Recovery
Nkonkobe Municipality // Hanabe	No – No person to give evidence.	Case closed
Nkonkobe Municipality / S. Mnqayi	Yes	This matter was referred to SmithTabataInc to draft a Deed of Sale. This was done and signed by both the Municipality and Mr Mnqayi.
Nkonkobe Municipality Mdila& Williams	A court date was given by the Grahamstown High Court.	A new court date is awaited due to the fact that Mr Mdila did not attend the court on the initial date due to illness.
Nkonkobe Municipality// MalixoleNcume& Others	Yes	SmithTabataInc secured a R 38 000, 00 costs for the Municipality.
Nkonkobe Municipality / Q. Williams	No	Adv. Bono is handling the matter with CCMA for

		taxation.
Nkonkobe Municipality / TradeMart Auctioneers	Yes	Trade Mart refuses to release the second portion until outstanding vehicle papers have been provided. SithTabataInc is taking the matter to court.

2. Case age analysis

Case Name	Nature of the Case	Date of Committal	Cases beyond 2 years	Reasons for extensive Duration
NkonkobeMun // Mdilaand Williams	Recouping Funds	February 2009	No	New date of High Court awaited.
Nkonkobe Municipality //Queen Williams	Fraud and Corruption	Sept ember 2008	Yes	Awaiting tax calculations by the Taxing Master/ CCMA
Nkonkobe Municipality MalixoleNcume& others	Claiming costs from applicants.	2008	Yes	Matter is closed
Nkonkobe Municipality / Mdila	Recouping funds i.t.o. claims for costs incurred.	2008	Yes	Summons were issued to Mdila by Drake Flemmer and Orsmond to recoup the money.
Nkonkobe Municipality / Dastile	Loss of a Council vehicle.	July 2009	No	Matter is closed
Nkonkobe Municipality / Minana	Damage to Council vehicle	December 2009	No	Matter is closed
Nkonkobe Municipality / Sibobi	Insurbodination and Non Compliance with MFMA	Nov 2008	Yes	Suspension of employee lifted and the employee is back at work.
Nkonkobe Municipality / Kleinbooi	Damage to Council vehicle	2009	No	Matter is closed.
Nkonkobe Municipality / TradeMart	Disposal of Council Property	2008	Yes	SithTabataInc has taken the matter to court.
John Kanie / Nkonkobe Municipality	Damage to motor vehicle	2009	No	The matter was handed to Nongogo, Nuku Inc. The court date

				is in August 2011.
Masala / Nkonkobe Municipality	Licensing of a motor vehicle	2009	No	The matter is closed.
New Glenholm & Boldpoint farms	Informal Settlements	2010	No	The matter is under discussion with ADM.

3. Default Judgment

These are no default judgments against the Municipality.

4. Prevention mechanism of current litigation

No prevention measures are in place to prevent the current litigation. This is so in that these are no relevant policies in place that are intended to assist the prevention of litigations of this nature.

However the Municipal employees are made aware of the collective. Agreements applicable to the work place and booklets are issued out to employees to familiarize themselves with such. The Municipality is in the process of formulating the litigation strategy.

5. Criminal matters emanating from corruption and fraud..

- 1) Nkonkobe Municipality vs Queen Williams
- 2) Nkonkobe Municipality vs Mdila & Williams
- 3) Other cases of corruption and fraud are still under investigation and it is advisable not to divulge such information at this stage.
- 4) Nkonkobe Municipality vs Mdila
- 5) Considerations of the HannesMinnaar report on the robbery at the Finance Department, the report is still under scrutiny.
- 6) The considerations of the Forensic report in the Finance Department.

5.8.3 Management of Legal Risks

The Municipality has adopted the fraud and corruption policy but at the same time is in the process of developing a policy on the management of legal risk.

PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE

A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

1. General information (population statistics)

<Insert name of municipality> GENERAL INFORMATION	
-------------------------------------------------------------	--

Reporting Level	Detail	Total
Overview:	Nkonkobe Municipality was established in 2000 and is made of now disestablished TLCs i.e. Alice, Middledrift, Fort Beaufort, Hogsback and Seymour. Alice is a legislative seat and Fort Beaufort is the administrative seat, the latter is situated about 140 km North West of East London on R63 and is approximately 200 km North East of Port Elizabeth. The municipality is the second largest local municipality covering 3 725 km ² , and constituting 16% of the surface area of the Amatole District Municipality. Nkonkobe municipality is a countryside municipality that sits on the foot of the ever imposing and majestic mountain range of the Winterberg (liNtabazeNkonkobe).	
Information:	<Provide statistical information on (as a minimum):>	
	Geography:	
	1 Geographical area in square kilometres Note: Indicate source of information: Global Insight	3725km2
	Demography:	
	2 Total population Note: Indicate source of information: Stats SA and Global Insight	131 071
3 Indigent Population Note: Indicate source of information and define basis of indigent policy including definition of indigent	74%	
4 Total number of voters	67 426	

2. Finance and Administration function's performance

Function:	Finance and Administration
Sub Function:	Finance

Reporting Level	Detail	Total	
Overview:	The Budget and Treasury Office has a clear and achievable mandate that is to provide a comprehensive financial management services to Council and other departments of council. The Budget and Treasury Office supports the Integrated Development Plan of Nkonkobe Municipality by striving to provide a stable and sustainable financial environment which council can deliver services to all communities in the jurisdiction of Nkonkobe Municipality.		
Description of the Activity:	The function of Budget and Treasury Office within the municipality is administered as follows and includes: Strategic financial management and reporting internally and externally for all stakeholders. These services extend to include accounting for all funds received, but do not take account of legislative decision making within the jurisdiction of national government. it is offered to the community> Debtor billings: number and value of monthly billings:		
Analysis of the Function:			
1	Debtors Fun & Cat : Number of Billed Debtors : Amount Billed		
	Electricity : 257 17,270,336	253	17,270,336
	Refuse : 8281 4,982,854	8281	6,166,971
	Rates : 19 197 10,097,176	19 197	11,097,176
2	Debtor collections: value of amount received and interest:	<i>R (000s)</i>	
	All Debtors Fun & Cat : No. of Billed Debtors : Amt Received	28 965 004	
	Electricity : 257 13,523,711		

	Refuse : 8281	1, 851, 256		
	Rates : 19197	4,326,304		
	Other revenue	9 251 018		
3	Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days: Function – Rates, Refuse, Electricity		<i>R (000s)</i>	
	Category	30	60	90
		120		
	Electricity 7 048 255	677 012	6 431 526	463 144
				14 619 936
	Property Rates 16 592 075	681 298	604 204	727 389
				18 604 967
	Refuse 3 245 572	496 556	379 084	482 394
				4 603 606
4	Write off of debts: number and value of debts written off: Attached is the annexure reflecting write offs each month			<i>R (000s)</i>
		10630		R72 758 06.00
5	Property rates (Residential): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions			<i>R 0.0065s/R)</i>
		15340		R871 226 994
		0		0
		0		0
Reporting Level	Detail	Total		
6	Property rates (Commercial): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions			<i>R .0.130 s/R)</i>
		258		280884500.00
		0		0
		0		0
8	Property valuation: - Year of last valuation - Regularity of valuation	2 445 925 934.00		
		2009		
		4 cycle		
9	Indigent Policy: The municipality is having the Indigent Policy. Number of indigents receiving subsidy is 17 433 as at June 2011, and the register is updated on a yearly basis. The total income per household must not exceed the combined total of the pensions of two old age state pensioners Free Basic Service offered per household as follows Electricity 50kw	17 433		

	Refuse removal	R65.00		
	Property Rates Exempted	R35 000		
10	Creditor Payments:		R (000s)	
			<value>	<age>
	1. Auditor general		R627 216.13	90 day
	2. Eskom Bulk		R2 830 662. 68	Current
	3. Eskom free basic		R611 944 .90	Current
	4. Bell Equipment		R19 492 .00	90 days
	5. Human Communications		R39 359.64	90 days
11	Free Basic Service Provision:			
			17 433	
	Number of indigents receiving subsidy is 17 433 as at June 2011, and the register is updated on a yearly basis. The total income per household must not exceed the combined total of the pensions of two old age state pensioners			
	Free Basic Service offered per household as follows			
	Electricity	50kw		
	Refuse removal	R65.00		
	Property Rates Exempted	R35 000		
12	External Loans:		R (000s)	R (000s)
	- Total loans received and paid during the year		<received>	<paid>
	8237 DBSA			R1,028402.42
	10545 DBSA			R1,224,685.00
	00013L WESBANK			R1,324.53

3. Planning and Development function's performance

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	Local Economic development is made up of sectors, agriculture, Tourism and SMME development. Its objective is to promote and facilitate job creation through project initiative by communities, attract investors to the area, promote SMME development, tourism and agriculture		
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:		
	<i>Community Based Planning- wards are developed through identification of projects they want to establish and the councillors assists in choosing a priority project to be implemented in that financial year.</i>		
	<i>Tourism- assist the community with developing well established tourism structures to attract tourist into our municipality.</i>		

	<p><i>SMME Development- the municipality helps the community in formalising their enterprises</i></p> <p><i>SPU- which assists in the development and support of youth development initiatives.</i></p> <p><i>Agriculture- assists in capacitating farmers and agricultural projects through training initiatives and support through access of inputs.</i></p>		
	<p>The strategic objectives of this function are to:</p>		
	<p><i>To enable the community to participate in the municipal planning.</i></p> <p><i>To achieve greater agricultural output to 40% by 2011.</i></p> <p><i>To increase the number of tourists in the area by 10% in 2011.</i></p> <p><i>To ensure maximum support to SMME's.</i></p> <p><i>To ensure institutional plans and programmes have an impact on vulnerable groups.</i></p>		
	<p>The key issues for 2010/11 are:</p>		
	<p><i>Revitalisation of irrigation schemes.</i></p> <p><i>Facilitating the development of a capacity building program.</i></p> <p><i>Increase access to water facilities for livestock.</i></p> <p><i>Developing and reviewing ward plans and link them to the IDP.</i></p> <p><i>Informing the communities of any new developments regarding implementation of CBP projects.</i></p> <p><i>Training all ward committee members and officials on CBP concepts.</i></p> <p><i>Improving maize production.</i></p> <p><i>Revitalisation of the citrus industry.</i></p> <p><i>Improving agricultural land potential</i></p>		
	<p>Developing tourism and packages tourism products including community related enterprises.</p> <p>Facilitating the establishment of tourism cooperatives.</p> <p>Developing tourism marketing plan.</p>		
	<p>By creating and strengthening new enterprises for employment creation.</p> <p>Creating more cooperatives.</p> <p>Developing small business strategy.</p> <p>Facilitating access to finance.</p> <p>Assisting cooperatives with registration processes.</p>		

Analysis of the Function: 1			
	Number and cost to employer of all economic development personnel:	10	R1,987 869.36
	-Senior Managers)	1	R 615 357.72
	- Ass. Managers	2	R 546 605.88
	- Permanent staff	6	R772 905.84
	- Contract (paid from LGTA -LED grant)	1	R52 999.92
Reporting Level	Detail	Total	
	Type and number of grants and subsidies received:		R (000s)
	IDP	1	R445 000
	LED (appointment if LED Assistant)	1	R53 000
	LSDf	1	R345 000

5. Community and social services function's performance

Function:	Community and Social Services
Sub Function:	All inclusive

Reporting Level	Detail	Total	
Overview:	<p>The Directorate of Community Services comprises of the following roles and functions:</p> <ul style="list-style-type: none"> • Cleansing • Parks and Garden • Fire Fighting • Sport, Arts and Culture • Fencing and Fences • Pound • Traffic and Law enforcement • Civil Protection • Cemeteries <p>The municipality also renders the following functions on an urgency basis:</p> <ul style="list-style-type: none"> • eNatis <p>Libraries</p>		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes: Sport, Arts & Culture</p> <p>To encourage and co-ordinate the participation in sport, arts & culture activities by conducting an annual Mayoral Cup Tournament which is aim is to unite and develop youth through sport and to fight crime.</p> <p>To ensure the construction of adequate sport facilities for the participation of Sport; Arts and Cultural activities.</p>		

The key issues for 2010/11 are:

Nkonkobe Mayoral Cup Tournament held at Trust No 2 in Middledrift. The sport codes that participated at the tournament are as follows: Soccer, Netball, Rugby, Boxing, Cricket, Athletics and Horse racing

*Hosted Amatole District Municipality Mayoral Cup 16th April 2011
Cricket Development
Fencing of Newtown and Seymour sport facilities
Strengthening of Sport Council*

Challenges

Limited funding for the construction of facilities

Solutions

Apply for grant funding and Increase municipal funding for Sport facilities development

Traffic & Law Enforcement

To promote proper road usage and maintain law enforcement by

having properly marked roads & signage's

Key issues for 2010/11Y are:

- Properly marked the roads
- Education of road users on National Road Traffic Act
- Construction of Roadworthy testing Station and Driver's licence Testing Centre

Enatis

Enatis Service is being performed by the Municipality on an agency basis the Department of Roads and Transport in terms of the Road Traffic Act and the function is being performed with the Service Level Agreement between the Municipality and Department of Transport.

The following functions were delegated to the Municipality :

- Motor registration i.e. Vehicle registration and Licencing
- Temporary permits

- Special permits
- Renewal of Driver's Licence
- Motor vehicle licences
- Bookings of Learner's and Driver's Licences

Civil Protection

To guard against the vandalism and theft of municipal assets. To work hand in hand with SAPS in the reduction of crime by conducting crime related awareness's and put security systems in place.

Key issues for 2010/11Y are:

Strengthening the functioning of Community Safety Forum

Work hand in hand with other crime related stakeholders in reducing the crime

Libraries

Library Services is the function of the Department of Sports, Recreation, Arts and Culture in terms of Schedule 5 of the Constitution of South Africa 1996. Nkonkobe Municipality is performing this service with Service Level Agreement. This service is performed in the following areas:

- Fort Beaufort Town Library
- Newtown Public Library
- Washington Bongco Public Library
- Alice Town Library

Key issues for 2010/11Y are:

- ✓ To provide access to information to all Nkonkobe Municipality Community, by engaging them in various information activities.
- ✓ To design various outreach programmes targeted at communities surrounding the library.
- ✓ To reduce illiteracy

World Book Day & internet launch

- Nkonkobe Municipality Libraries celebrated World Book Day and Internet Launch on the 6th May 2011. Celebrations were held at Bhofolo Hall. More than 300 learners attended the programme.
- Main activities was reading by grade 5 kids, to promote the culture of reading and internet launch, to inform the community about this service which is offered in the Nkonkobe Municipality Libraries.
- Grade 12 learners were given memory sticks in order to assist them when they search information from the internet in libraries.



Book Fair

Nkonkobe Municipality Libraries was invited to a book Fair held in East London From 16 and 17May 2011. The Department of Sports Recreation Arts and Culture allocated an amount of 200 000 for Nkonkobe Libraries for the purchasing of books. Breakdown for the 200 000 allocation is as follows:

- 55 000 for Fort Beaufort Town Library
- 55 000 for Washington Bongco Library
- 30 000 for Alice Library
- 30 000 for Newtown Library
- 30 000 for Hogsbacks Library

To design various outreach programmes targeted at communities surrounding the library.

Adoption of School Project

- Four High Schools which have not performed well in the last year metric results have been adopted. The adopted schools are:

- Heald Town High School adopted by Fort Beaufort Town Library
- Lindani High School adopted by Newtown Library
- Eyabantu High School adopted by Washington Bongco
- Nzululwazi High School adopted by Alice Library

- Libraries have sessions whereby they avail information for the adopted schools in order to assist them to access information for their school projects.



To reduce illiteracy

Literacy Programme

- Libraries are engaged in a project called Literacy.
- In this programme elderly people are taught how to read, count, write and how to use ATM's.
- Each Library in the Municipality has its own class, 8 elderly people in Washington Bongco, and 8 in Fort Beaufort Town Library, 3 in Newtown and 3 in Alice Library.
- Classes are conducted every Wednesday from eleven until one.



Fire Fighting

To deliver a fast and efficient service that will minimize loss to life, property and the environment.

	<p>Key issues for 2010/11Y are:</p> <p>Fought and minimised fire incidents</p> <p>Conducted awareness campaigns so as to educate communities how to fight fires.</p> <p>Disaster Management</p> <p>To co-ordinate & manage disaster incidents by facilitating disaster awareness's and establishing disaster technical task teams.</p> <p>Key issues for 2010/11Y are:</p> <p>To distribute building material to the disaster victims with assistance from ADM</p> <p>To develop a Disaster Risk Management Plan in collaboration with all relevant stakeholders</p>			
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6. Waste management function's performance

Function:	Waste Management
Sub Function:	Solid Waste

Reporting Level	Detail	Total	
Overview:	The service includes residential waste collection, commercial, street cleaning, garden refuse collection, removal of illegal dumping sites, management of landfill sites and waste from special events.		
Description of the Activity:	<p>The refuse collection function of the municipality is administered as follows:</p> <p>Refuse is collected on a weekly basis in the following residential areas: Bhofolo township, Newtown, Alice, Middledrift, Seymour and Hogsback. Refuse is collected in refuse bags or bins provided by the Municipality or residents themselves.</p> <p>No refuse collection services are rendered in rural areas, residents dispose of their own waste either on site or in communal pits where it is either burned or buried.</p> <p>Cleaning campaigns were conducted in collaboration with other stakeholders such as Amathole District Municipality, Department of Economic Development and Environmental Affairs; Health; Education; Agriculture; Social Development; Transport. The areas that were targeted are Cape College and Bhofolo location.</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> - Maintain promote and advocate for sustainable quality waste management practices so as to ensure a clean and a healthy environment. <p>The key issues for 2010/11 are:</p>		

	- Construction of refuse drop – off points in Newtown - Procurement of brand new refuse compactor truck and landfill compactor - Securing budget for the development of IWMP	2 2	R56 700 R300 000
Analysis of the Function:	1 Number and cost to employer of all personnel associated with refuse removal: - Professional (Manager: Cleansing Services) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package	1 5 0 68 15 89	
	2 Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by municipality at least once a week - Removed by municipality less often - Removal of garden refuse - Communal refuse dump used - Own refuse dump - No rubbish disposal Note: if other intervals of services are available, please provide details	14 660 <i>Done upon request</i> 1 0 <i>All rural areas</i>	
	3 Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden	<i>Not measured at this point in time, plans to have weighing bridge are in the pipeline. IWMP study to resume soon. Not weighted</i>	<i>Proposed to be in the 2012/13 budget</i>
	4 Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number)	6 <i>None</i>	Assessment study is currently underway

Reporting Level	Detail	Total	
5	<p>Anticipated expansion of refuse removal service:</p> <ul style="list-style-type: none"> - Domestic: refuse collection in residential areas is planned to be expanded to Hillside and fully in Hillcrest (Alice) in the next financial year. This will be done through the process of contracting community waste management cooperatives <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p>	4131	

6. Housing function's performance

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	<p>The function of provision of housing within the municipality is administered as follows and includes:</p> <p><i>Nkonkobe Municipality implement housing projects for beneficiaries within the jurisdiction of the municipality in the urban and rural areas. The role of the municipality is to act as the Support Organisation when the Dept. Of Human Settlement have appointed a Developer to construct houses.</i></p> <p>The municipality has a mandate to:</p> <p><i>Nkonkobe Municipality have to apply for funding allocation for identified housing project within the municipality.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>The municipality to build houses for all eligible beneficiaries under the PHP housing scheme, depending on the allocation of funds from the Dept. Of Human Settlement.</i></p> <p>The key issues for 2010/11 Fin Year are:</p> <p><i>Nkonkobe Municipality have been applied for 6 new housing projects which have been provincially approved in 2007 i.e.Joji, Khayelitsha, Daweti, Bhofolo Phase 2, Lower Blinkwater and Balfour housing projects.</i></p>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	<p>Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> -Building inspector) - Housing officers 	1 2	R (000s) R211 960 R396 934.66

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7.

7. Road maintenance's function's performance

Function:	Road Transport
Sub Function:	Roads

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> - Assess conditions of internal municipal roads and implement a maintenance plan. - Apply for funding to extend municipal roads. - Purchase heavy roads construction equipment. - To extend and improve stormwater drainage in all areas. <p>These services extend to include resealing damaged surface roads, but do not take account of major roads which resides within the jurisdiction of Department of Roads and Transport.</p> <p>The strategic objectives of this function are to:</p> <p>Extend and improve the road network, including maintenance of existing roads.</p> <p>The key issues for 2009/2010</p> <p>Purchase a grader Liase with Department of Roads and transport to assist with the road rehabilitation.</p>		
Analysis of the Function:			
1	<p>Estimated backlog in number of roads, showing kilometres and capital cost</p> <ul style="list-style-type: none"> - Tar - Gravel 	<p>1500m² 3000km</p>	
Reporting Level	Detail	Total	Cost
	Note: total number should appear in IDP, and cost in future budgeted road construction programme		
6	Type and number of grants and subsidies received:		R (000s)
	<i>MIG</i>	R6,262 000	<value>
	Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
7	Total operating cost of road construction and maintenance function	R6,262 000	R (000s)

8. Electricity distribution function's performance

Function:	Electricity
Sub Function:	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	The main concentration of this section is the maintenance and repairs of the electricity network and consumer connections. The municipality only supplies Fort Beaufort Town, Newtown, Hillside and Bhofolo with Electricity. The other towns and rural villages are supplied by Eskom. The Municipality assists Eskom with the street light maintenance in the other Towns		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p><i>Operation and maintenance of Electricity network.</i></p> <p><i>Provision of free basic Electricity.</i></p> <p><i>Upgrading and replacement of old sections of the Electricity network.</i></p> <p><i>Installation of Electricity connections in Residential and Commercial areas.</i></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><i>Install Electricity connections in residential and commercial areas of Fort Beaufort Town, Hillside, Newtown and Bhofolo.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>To ensure that the existing backlog of Electricity connections outside of Fort Beaufort is reduced in 2010.</i></p> <p>The key issues for 2010/11 are:</p> <p><i>Reduce backlog of Electricity connections especially in rural areas.</i></p>		
Analysis of the Function:			
1	- Professional (Consultants/Engineers)	1	
	- Electrical Superintendent	1	
	- Senior Electricians	2	

	- Electricians	2	
	- Office (Clerical/Administration) Senior Clerk	1	
	- Electricians Assistants (blue collar, outside workforce)	8	
	- Contract (Casuals)	3	
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.	17	
2	Number of households with electricity access, and type and cost of service:	6697	R (000s)
Reporting Level	Detail	Total	Cost
1	Number and cost of disconnections and reconnections	50 new connections 15 disconnections	
	<detail total>		
2	Anticipated expansion of electricity service: Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	500 new connections	R 3.6m (11/12 FY)
3	Total operating cost of electricity distribution function Total Yearly Units	31 378 641	R (000s)

B: ANNEXURE

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

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

Annexure B

Comment on the Annual Report by Mrs.Mnkomana

1. Introduction

I wish to place on record my sincerest appreciation for the confidence that has been given to me by Nkonkobe Municipality in requesting me to serve in the Oversight Committee.

I have perused through the document prepared by Auditor General and it does not speak well of the Municipality and highlights on internal control deficiencies.

I wish to state the following:

- No internal control and risk assessment not performed by the municipality which made Auditor General not rely on the control environment of the municipality**
- No compliance by the municipality with reporting standards.**
- Lack of monitoring mechanisms**
- Issues brought up by AG not adequately addressed in the annual report**
- Management should realise that they are placed in the position of trust for the upliftment of and service to the people.**

The issues raised above should be taken seriously and actions put in place to address the latter.

I further wish to state as follows:

- 1. Reporting on quarterly basis on the implementation plan to remedy the situation**
- 2. Setting up of all structures, systems as raised in the report**
- 3. The ineffectiveness of the internal audit needs to be looked into .**
- 4. Vacancies have to be filled**
- 5. The structure of the municipality needs to be aligned to the objective of the municipality**
- 6. Management should be capacitated**

One writer says" Power is Service" The power that has been given to management is service to the community and it should be in mind that management has been placed in their positions for the betterment of the people and not for themselves.

NKONKOBÉ MUNICIPALITY: REPORT OF THE AUDIT COMMITTEE

for the Financial Year Ended 30 June 2010

Report of the Audit Committee

We are pleased to present our report for the financial year ended 30 June 2010.

Role of Audit Committee

The function of the Audit Committee (hereinafter referred to as the Committee) is primarily to assist the Nkonkobe Municipality (hereinafter referred to as the Council) in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 58 of 2008 and has endeavoured to comply with its responsibilities arising from those requirements.

The Committee has performed its duties according to its terms of reference in the form of an Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significant reporting financial reporting judgements.
- To review the effectiveness of the Council's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.

To oversee the relationship with the internal and external auditors, including agreeing the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge rather than assume responsibility for any matters within its remit.

Composition of the Audit Committee and Attendance of Meetings

The Committee was constituted during March 2010 and held its first meeting in 26 April 2010 and 15 June 2010. Initially it was comprised of three members but one has since resigned.

The Committee should meet at least four times a year as per its approved terms of reference. During the year under review two meetings were held.

Name of Member	No. of meetings attended
LM Qupe (chairperson)	2
Prof. A. Keet	2
RJ Hill	2

The committee meetings were attended by the internal auditor. It is recommended that these meetings be attended by top management as well to confer thereto visibility and support, moreso because the formal Internal Audit Unit is a relatively new function within the Municipality.

Effectiveness of Internal Control

Two internal audit assignments had been completed by end of June 2010. It was thus not possible to establish the effectiveness of internal control from internal audit reports. However, emanating from the Auditor-General's 2008/2009 report, it is evident that the system of internal control was not fully effective previously as compliance with prescribed policies and procedures was identified in a number of instances. Where remedial action has not already been effectively implemented, steps will be taken to address the weaknesses identified.

External audit

The Audit Committee has met with the Auditor-General South Africa to ensure that there are not unresolved issues.

Evaluation of Financial Statements

The Nkonkobe Municipality was required to convert its basis of accounting from the IMFO Standard to Generally Recognised Accounting Practice (GRAP). The financial statements for 2009/2010 were compiled in accordance with the latter standard.

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Municipal Manager;
- Reviewed the Auditor-General's management report and management's responses thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.
- We could not review the Annual Financial Statements for NEDA.

The financial statements, together with an audit file, were submitted to the Auditor-General by 31 August 2010.

Internal audit

The Internal Audit Unit did not operate at full strength for greater part of the year under review. The situation still obtains to date. With the only incumbent having assumed duties in November 2009 it is safe to state that the internal audit function did not operate effectively for the year 2009/10.

It strongly recommended that additional posts be created within the Internal Audit Unit to enhance its operational effectiveness.

Annual Report

The Annual Report is of poor quality. From the report it appears that the institution is non-compliant with at least the equity employment and skills development legislation. It is full of errors and inconsistencies. Listed hereunder are but are few of such:

Table of Contents

Page numbers in the Table of Contents are not furnished thus it does not serve the purpose for which it was designed. This presents a challenge for anyone perusing the document. It smacks of lack of professionalism and reflects a poor image of the Municipality. There appears to be a disconnect in the numbering of sub-paragraphs (Refer to sub-paragraphs 1.4 p. 33 and subsequent sub-paragraphs).

Quality of the Annual Report

In terms of quality the Annual Report leaves much to be desired. It appears that the document was not adequately proof-read as numerous calculation errors (Figure 3, p. 13; Figure 5, p. 16, Figure 6, p. 17 – the narrative), inconsistencies and inaccuracies as well as language errors (p. 14 second last line; p. 15 last line; p. 18 last line should read: higher not **highest** unemployment rate) are noted throughout the document. To highlight but a few:

Population Statistics

Inconsistencies regarding the size of the population of the Nkonkobe LM. In page 7 the population of the municipality is estimated at 130 100 but in page 11 it is reflected as 131 071 – an inconsistency.

People Living in Poverty

One struggles to reconcile the number of people living in poverty and the indigents within the Nkonkobe Local Municipality. On page 7 the number of people living in poverty is given as 50 983 in 2008. Page 11 reflects that 74% of residents are indigent. The variance is huge and calls for verification.

Toilet Facilities

While not sure of the exact figures relative to people without proper toilet facilities in this municipality the situation cannot be as bad as the figure of 6 699 (p. 7) seeks to suggest.

Use Electricity

The same holds true in respect of electricity used for lighting (27 772) and cooking (16 433). These figures could have been easily verified from the municipality and Eskom and I recommend accordingly.

The Rate of Unemployment

Page 8 reflects the unemployment rate as 26 829 (55%) in 2008. This figure is far below 130 100. Again page 18 puts the figure at 50% for the same year. This presents an inconsistency and/or an inaccuracy. These figures need to be revisited for consistency and accuracy.

Road Maintenance

16 000 square.km in road patch-work is rather excessive for a municipality with less than this figure of tarred roads. Costs for this assignment are not furnished, therefore it proves impossible to conduct an informed cost-benefit of the exercise. This calls for explanation and rectification. At face value it would appear that it would have been better to build a completely new road/s.

Trends on Total Personnel Expenditure

- **Lack of Sub-Headings**

There are no sub-headings so one does not know what the various columns represent.

- **Senior Management Salary Packages**

An anomaly appears between the salaries of the MM and that of the Senior Manager: Community Services which is given as R565 854.20 way above that of the Municipal Manager. However, I believe this to be a calculation error. If it is not then an explanation would be in order. Even if this were an error and adjusted it would not automatically explain the discrepancy between his/her salary and his/her contemporaries. The Manager: Engineering Services appears to the worst off

notwithstanding the scarcity of people with this skill. The same holds true in respect of the CFO.

- **Implementation of Performance Management System**

We are made to believe that the PMS is in place, however, no performance reviews were conducted during the year under review. We believe the delay in implementing the PMS deprives the Municipality of a critical management tool for recognizing and rewarding good performance and instituting timeous corrective action and/or penalizing sub-standard performance. Urgent attention to this matter is strongly recommended.

Skills Development

The Annual Report is silent as to the existence of a **Skills Development Committee**. In term of the Skills Development Act, an institution with a staff compliment over 50 is required to have a Skills Development Committee to drive skills development. Does the institution have a policy on this matter? Lack of same would amount to non-compliance in terms of the skills development legislation and annual reporting thereon.

The Annual Report reflects that some Section 57 Managers are currently undergoing training at the institution's costs. Are there retention strategies to retain the services of the said managers on completion of their studies? Steps to address same must be captured in the Action Plan

Equity Employment

On this score the Annual Report reflects zero with regards to the employment of people living with disabilities and is silent on equity targets. Does the institution have a policy on this matter? Lack of same would amount to non-compliance in terms of the equity legislation and annual reporting thereon. Steps to address same must be captured in the Action Plan

Indigent Policy

Second last line (p. 43) should read ... with a maximum of income of R2 500.00 not **minimum**.

Overall Service Delivery Backlogs

The table in page 44 is not complete and therefore does not make sense. This needs urgent attention.

Arrears in Property Rates and Service Charges

I believe there should be a comment by Council and/or management on how they propose to arrest the arrear situation. The outstanding rates and service charges should be expressed as a percentage (%) of total income so as to reflect the impact on the situation.

Local Economic Development

Failure to develop a local economic strategy/plan for the year under review reflects poorly on this institution. The strategy should be the engine and should inform local economic development initiatives. In the absence of such a strategy what informed the investments (p. 47) that were undertaken in the year under review. There is no Monitoring and Evaluation Report on these investments. This raises questions on input and/or participation by the IGR Partners in the compilation of the Annual Report. Having made serious commitment on various projects I believe that their reports should be captured in the Annual Report, moreover, their projects are tied up with institution's IDP.

Chairperson of the Audit Committee

Date: 11th March 2011



Oversight Committee Meeting

Date: 16 March 2011

Venue: Alice Council Chamber

Time:10H00

MINUTES

1. Opening and Welcoming

- An opening prayer was done by Mrs .Resha. Cllr Ndlebe thanked Mrs. Resha and declared the meeting opened and welcome all the members present.
- Cllr Ndlebe raised his concerns that the meeting could not sit on several occasions and also made clarities on the composition and structure of the committee. He made emphasis that the Oversight Committee is an AdHoc committee which is only appointed by council to look at specific issue
- Cllr Ndlebe also alluded that the committee was a Sec 79 committee in terms of the structures act and should not confused with the Standing Committees of Sec 8 where the standing rules of council would apply.
- Only the convener who would be elected had a right to dissolve the meeting.
- Lack of communication and commitment by other committee members because the meeting on the 11/03/2010 could not sit.

2. Adoption of the agenda

Cllr Ward moved for the adoption of the agenda and was seconded by Cllr Kganedi.

3. Leave of Absence

None was submitted , all present signed the attendance register.

4. Communication by Speaker

Cllr Ndlebe alluded on the fact that it is the responsibility of the Oversight Committee to decisively interrogate the reports, identify gaps and recommend corrective measure to the council on the 29/03/2011 when the draft Oversight Committee report is tabled. The role

of the Speaker was to facilitate the first meeting and the chairperson would then be elected to convene the meeting and the Speaker excused from the meeting. The committee has a right to interact directly with any official and at any level without the Municipal Managers intervention. The Oversight Committee is a Sec 79 Committee that report to council. Apologies on the inconvenience of convening the meeting later than the agreed time which is 09H00. The rules of Sec 8 Committee do not apply to the Oversight Committee. It is unacceptable behaviour for anyone other than the Chair to dissolve the meeting.

Questions

Cllr Kganedi : 1. Composition of the Committee

2. Government circulars those used as guidelines for the oversight committee were not part of the information pack.

Cllr Ward: out of the Oversight report which was tabled in 08/09 an Audit Action Plan was developed by Management. Progress reports on the implementation of the action plan also need to be interrogated.

The Speaker: the framework on the composition of the Oversight Committee is clear but a resolution was taken by councillor that there should be four councillors, two community members and Audit Manager. The office of the Speaker will see to it that these government circulars are distributed to members of the Oversight Committee; circular 11,18,32, the oversight committee report of 08/09 and the SDBIP 09/10.

5. Nomination of the Chairperson

Cllr Ngwente nominated Cllr Kganedi as chair and the house agreed.

6. Communication from the Chairperson

The chairperson highlighted that one of the recommendations that the Oversight committee would make is for the Management to develop and Action plan which in the financial year under review have already developed an Action Plan on the finding of Auditor General on the Annual Financial Statement, added to the document were corrective measure to address the findings on predetermined objectives but the committee needs to look at these documents and identify Gaps and as such make recommendations and the Oversight report make reference to the Action Plan.

Practice was that the Oversight Committee would meet to identify gaps and make recommendation and those notes would then be forwarded to the scribe for capturing into a comprehensive report but the house need to agree on timeframe as to when this exercise was going to unfold. The committee needs also to look at the previous Action Plan what was done. In our reporting it must be clear as to who would then drive the implementation of the Action Plan and reporting timeframes to council on the implementation thereof.

Cllr Ngwente : said in the first session the Action plan was adopted by council and the driver of the Action Plan was the Mayor, it took three days for the Committee to finalise their report.

Mrs.Nkomane : needed to be taken through the documentation as this was her first involvement in the process.

Cllr Ward: the Oversight Report also need to be clear on the accountability because the Oversight Committee would do its part and advice council but what assurance is there that there is going to be implementation and monitoring by the council thereof.

The Chair proposed to the members of the Oversight Committee to meet on Monday at 09H00 at the same venue to interrogate the reports , and then on Tuesday the notes would be forwarded to the scribe to capture them , it would be important for the scribe to get the soft copy of the report so as to amend the existing one.

Cllr Ward proposed Friday , seeing that Monday is a public holiday and the concern of the commitment of members.

The members agreed that they would be available on Monday at 09H00.

The office of the Speaker promised to send reminders to members on Friday regarding the meeting and the Manager is requested to call them or send reminders on Friday.

- 7. Date of the next meeting
22 March 2011 at 08H30 , the same venue**
- 8. The chairperson thanked everyone present and adjourned the meeting.**



OVERSIGHT COMMITTEE REPORT
2009/2010 FINANCIAL YEAR CYCLE

Table of contents

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Annexure A - minutes of the oversight committee and attendance registers

Annexure B – submissions from members of the public

Annexure C – interviews

Annexure D - Auditor General's report

Annexure E – Audit Committee's report

1. INTRODUCTION

The adhoc oversight committee of the municipality is established as a Sec 79 committee for council. As a committee for council the committee is expected to put together a report and to table it to the ordinary council meeting scheduled for the 29 March 2011.

2. Enabling Legislation

- The constitution of South Africa Act 108 of 1996
- Municipal Structures Act 117 of 2000
- Municipal Finance Management Act 56 of 2003

3. Brief reflection on the annual report

- Poor technical quality of the report
- Typing errors which could have been picked if the report was proof read. The internal audit report also highlights the above issues, Refer to pages 14,15,34 and 43 of the annual report.
- Some glaring inaccuracies around the pie graphs and some line graphs which are mixed up and are therefore completely misleading. This issues sticks out prominently on pages 13,16,17,33,34,50 and 51.
- Inconsistencies in the report. There are sections and statistics which are characterised by incongruity and incompatibility. There are several instances where some conflicting statistics just leaves one baffled, look at the following:
 - Total population 130 vs 131
 - Poverty statistics of 39% vs 43%
 - Unemployment of 50 % vs 55%
 - A salary package of R 713745 vs R 540798 in the same report and for one person.
 - Incomplete tables, there are table which are incomplete and leaves one wondering why they were included in the first place and give one the impression that the person responsible does not know what has to be inserted into those tables, the tables in question are on pages 32, 37 ,41, 44 and 51.

➤ Quality of the graphs

The quality of most graphs in the report is problematic their keys or legends are all in black and white as a consequence one cannot differentiate them.

4. Substantive issues

- With an increasing rate at HIV infections , there should be awareness and education interventions by the municipality. These programmes should be driven by Corporate Service Department and there should be personnel to drive the programmes and clearly auctioned in the report.
- In terms of the Service delivery component : Electricity does not reflect a backlog this is misleading because in terms of the IDP and budget has been approved for the electrification of some of Nkonkobe areas which do not have access to such services.
- The annual report does not have clearly designed KPI, this makes it difficult for the committee to evaluate progress of the municipality on service delivery.
- The annual report is silent on the existence of the Skills development Committee, this is in contravention of the Skills Development Act as it requires an institution with staff compliment over 50 to have such committee to drive the skills development.
- The annual report reflects that some Senior 57 Managers are currently undergoing training at the institution's cost and retention strategies are not reflected in the report. Steps to address same must be captured in the action plan
- On the annual report zero is reflected with regards to the employment of people living disabilities and is silent on equity targets.
- Annual performance report not included in the annual report, only quarterly reports submitted.
- Analysis of the financial sustainability of the municipality does not for part of the report as required by circular 11
- The report does not adequately address issues raised by Auditor General in the 08/09 Audit report

5. Background

The council is vested with the responsibility to oversee the performance of their respective municipality as required by the constitution, MFMA and MSA

These pieces of legislation recognizes that council has a critical role to play to ensure better performance by municipal departments and entities. There exists an explicit linkages between the strategic goals set by council through IDP , which are translated into budget and the delivery of those goals which is reported in the annual report.

A good budget will lay a basis for better oversight and cement contracts between the council, the administration and the public. It is the managers who have the responsibility of the financial management and also accountable for tthe municipal performance in terms of service delivery.

Oversight occurs at various levels in a municipality as reflected in the following table-1

6. FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT

TABLE 1

	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE FOR
Council	Approving policy and budget	Executive Mayor or Committee	community
Executive Mayor or Committee	Policy, budgets, outcomes, management of /oversight over municipal manager	Municipal Manager	council
Municipal Manager	Outputs and implementation	The administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operation and Functions	Municipal Manager

7. SEPARATION OF ROLES

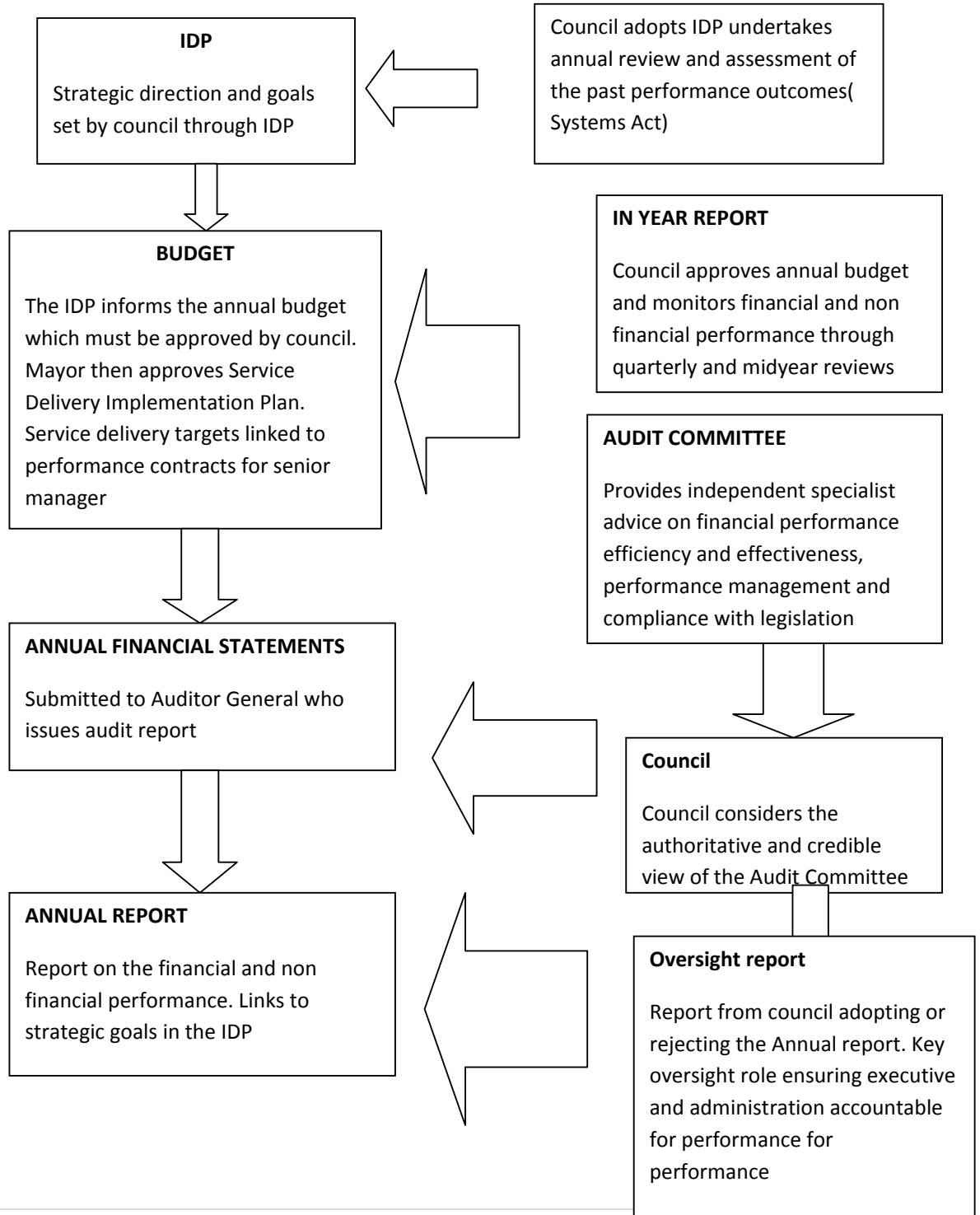
The separation of roles between council and administration is intended to strengthen the oversight function of councillors. The process flowchart attached as Table 2 seeks to clarify and illustrate the process and various intervention points from the IDP to the oversight report

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA Chapter 12 section 121 and section 129 and the MSA section 46. The purpose of the annual report is:

- To provide record of the activities of the municipality or entity
- To provide a report on the performance in service delivery and against the budget
- To provide information that supports the revenue and expenditure decisions made
- To promote accountability to the local community for decisions made

8. FINANCIAL GOVERNANCE IN PRACTICE- COUNCIL OVERSIGHT

**TABLE 2
PROCESS**



9. COUNCIL RESOLVES THAT:

- The council having fully considered the annual report of the municipality and representations thereon, adopts the oversight report and approves the annual report with reservations
- The above resolution is informed by the following considerations, critical variables are not included in the annual report one being the Audited Financial Statement of the entity.(NEDA)
- The second point being that annual report of the entity is also missing from the main annual report

This is in violation of the following pieces of legislation(MFMA chapter 12 section 121 subsections 1-4 and section 122 subsections (1-3) and Municipal System Act 2000 section 46. The main annual report of the municipality does not reflect well designed key performance areas and their key indicators for each departments and the entire municipality. This is required in terms of Municipal Systems Act chapter 12 section 38,39,40 and 41 which clearly stipulate that the municipality must have a performance management system in place.

This system would then be cascaded to generate the performance measurement system for the municipal manager and other managers. The performance management system and its scores are then used as a basis for determining the performance bonuses for the municipal manager and managers accountable to him. In the absence of performance management system and its scores , performance bonuses would be arbitrarily calculated as there would be no basis to calculate them. The basis upon which performance is evaluate for payment of bonuses should be reconciled with the municipal performance as reported in the annual report.

The committee is concerned that the same IT SERVICE PROVIDER who failed to provide a backup system for the municipal IT is still being retained.

10. Finances

The municipality got a Disclaimer yet again for the fourth year running. This calls for concerted effort both politically and administratively too say in one that SO FAR AND NO MORE with disclaimers. Lack of supporting documents for number of transactions that have been processed through the municipality stuck out like a sore thumb as the persistent contributing factor towards the above sad state of affairs. Nkonkobe municipality needs to revolutionise its filing system in order to pull itself together, the minimum utilization of Munadmin system which is only central but should be spread throughout the institution for document keeping.

The previous AG's report page one under comparative point 4 and 5 raised a concern that 'The disclaimer matters for the year ended June 2008/2009 have not been adequately resolved'. He further went out to point in his presentation page 5 on Key issues requiring attention, under subheading Leadership, that "Action plans were either not followed through and monitored to address financial challenges". This came as a shock to the oversight committee because the action plan was generated and submitted to the council.

- The list of serious concerns from the Auditor General contained in the annual report is growing bigger and longer. This is because the issues raised in the previous report were not resolved or attended to, this leaves the oversight committee with the impression that its inputs are not taken seriously.
- The committee is concerned with the material amounts identified by Auditor General that are unaccounted for in his report. Management must attend to these misinformation because if they persist a clean audit goal will remain a pipe dream
- When big amounts are reflected as unaccounted for by the Auditor General that puts the integrity of our financial statements to question
- The committee observed that the draft action plan has been generated. The committee would like the Mayor to lead management in refining the action plan to address the issues detailed above.
- Auditor General's observation that the FORENSIC AUDIT report of the municipality has not been tabled cannot be over emphasized.

11. The committee recommends that council resolves as follows:

- The Mayor to lead management team in the refining and finalizing of the Action Plan
- The municipality roll out the Munadmin system to all departments to improve the filing system which is in shambles
- The Mayor facilitates the tabling of the Forensic Audit report to council
- NEDA once again failed to submit its annual report , which is mandatory that it forms part of the report.
- The municipality must establish a permanent oversight committee which will be responsible to oversee the municipal service delivery programmes throughout the year.
- The municipality must prioritise and capacitate staff in the finance department as a measure to improve the municipality's chance of attaining a clean audit and accurate reporting.
- The capacity of the internal audit is under question, interventions should be put in place for the capacity of the unit through training interventions and employment of staff in that unit
- The municipality must buy-in to the vision of clean audit by 2014 programme. The committee recommends that the Mayor take full responsibility to lead tabling of council's quarterly reports on the implementation of action plan as a build up towards that vision.

Report on the interviews of the Municipal Manager and Mayor.

Question 1

Once again NEDA has failed to submit its annual financial statements and its annual report. What happened?

The municipal manager- NEDA attempted to submit its AFS but they could not be consolidated to the financial statements because the 08/09 AFS were not done by the entity, therefore the entity was instructed to compile and submit both the Annual Reports and AFS for the years ending 08/09 and 09/10.

The Mayor – The Auditor General accepted the annual financial statements from the entity while the MFMA clearly stipulates that the financial statements of the parent municipality must be accompanied by that of its entity.

Question 2

The committee has observed with concern that the report, together with that of the Auditor General still highlights lack of capacity at finance department which in turn resulted in disclaimer report.

Municipal Manager- Yes the challenge of the capacity amongst officials in finance is a reality. The municipality has currently subjected the said officials to training and as well arranged a training of generating financial statements for the municipality so that we can move away from the reliance on service providers. The errors that are highlighted by AG as well also point to the fact that lack of supporting documents is a symptom of lack of capacity within the finance department.

Question 3

The oversight committee is frustrated by observing that the resolutions that are tabled to council are not implemented. Why is that the case?

Municipal Manager- The Municipal Manager is of the view that the recommendations were implemented. The Mayor advanced the lack of political stability as the reason why no office took political responsibility to oversee the implementation of the oversight committee recommendations.

Question 4

On the question of why the continued trend of disclaimers and how it could be broken.

Annexure C

Municipal Manager- the municipality has to implement the AG recommendations in the form of write off of the irrecoverable debt of R72 mil that is sitting in our books and which has no prospects of being collected.

Question 5

The municipality instituted a forensic audit investigation in the finance department ,we heard that the report is out but it is not being tabled before council, why?

Municipal Manager- Yes, it is true the report is out, it does recommend that action be taken against certain individuals within the municipality , council can resolve when the report should be tabled and that resolution will be implemented

Mayor- i also saw the report with its recommendations but council needs to resolve when it wants the report to be tabled.