

GREAT KEI LOCAL MUNICIPALITY

**DRAFT ANNUAL
REPORT
2011/12**



DRAFT ANNUAL REPORT FOR GREAT KEI MUNICIPALITY 2011/12

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LIST OF ACRONYMS

ACRONYMS	DESCRIPTIONS
AG	Auditor General
AIDS	Acquired Immune Deficiency Syndrome
ASGISA	Accelerated Shared Growth Initiative of South Africa
BSD	Basic Service Delivery
CFO	Chief Financial Officer
DBSA	Development Bank of Southern Africa
DEAT	Department of Environmental Affairs and Tourism
DFA	Development Facilitation Act
DFID	Department for International Development
COGTA	Department of Cooperative Governance & Traditional Affairs
ADM	Amathole District Municipality
DoHS	Department of Human Settlement
DoL	Department of Labour
DoE	Department of Energy
DoE	Department of Education
DSRAC	Department of Sport Recreation Arts and Culture
DoH	Department of Health
DoMR	Department of Minerals Resources
DTI	Department of Trade and Industry
DOS	Department of Social Development and Special Programs
DAFF	Department of Agriculture Forestry & Fisheries
DoLRD	Department of Land Reform & Rural Development
DoARD	Department of Agriculture and Rural Development
ECDC	Eastern Cape Development Corporation
EHO	Environmental Health Offices

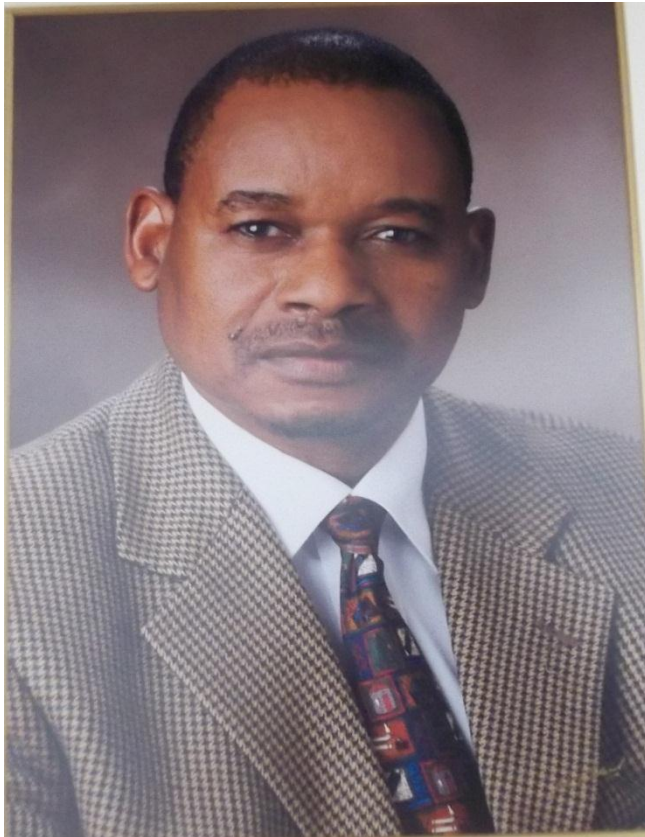
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EMP	Environmental Management Plan
EPWP	Expanded Public Works Programme
ES	Equitable Share
FBS	Free Basic Services
FET	Further Education and Training
FV & M	Financial Viability and Management
GG & PP	Good Governance and Public Participation
HH	Households
HIV	Human Immuno-deficiency Virus
HR	Human Resources
IDP	Integrated Development Plan
ID & OT	Institutional Development and Organizational Transformation
IDPRF	Integrated Development Plan Representative Forum
IGR	Inter-Governmental Relations
ISRDP	Integrated Sustainable Rural Development Programme
KPA	KPI: Key Performance Area
KPI	KPI: Key Performance Indicator
LED	Local Economic Development
LGSETA	Local Government SETA
GKLM	Great Kei Local Municipality
LUMS	Land Use Management System
MDG	Millennium Development Goals
MIG	Municipal Improvement Grant
MM	Municipal Manager
MSIG	Municipal Systems Improvement Grant
MPAC	Municipal Public Accounts Committee
NSDP	National Spatial Development Perspective

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OHS	Occupational Health and Safety
PGDP	Provincial Growth and Development Plan
PMS	Performance Management System
PMTCT	Prevention of Mother to Child Transmission
SAPS	South African Police Services
SEA	Strategic Environmental Assessment
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SLA	Sustainable Livelihood Approach
SMME	Small Medium and Micro Enterprises
STATSSA	Statistics South Africa
ToR	Terms of Reference
WSA	Water Services Authority

PART 1: Introduction and Overview



A. Foreword by the Mayor

The Annual Report tabled is intended to give an account of the work done in 2011/2012 financial year. The work discharged is in line with the stipulations of Section 152 of the Constitution of the Republic of South Africa 1996 (as amended).

First and foremost I wish to commend the joint effort undertaken by our entire stakeholders involved in our work for the tireless commitment to changing the plight of our people.

Secondly it is important to highlight that Great Kei Local Municipality IDP and Service Delivery and Budget Implementation Plan has been done in line with Eastern Cape Provincial Development Plan thus targets set for 2011/2012 financial were set in line with PGDP and the community aspirations.

Successes are noted towards achieving targets of the PDGP, strides to halve unemployment rate is noted wherein the municipality established partnerships with the Department of Environmental Affairs to clear the Alien Species at Cwili and Kei Mouth and 77 job opportunities were created. 109 Job opportunities were created for Kei Mouth to Chintsa working for the coast project funded by the Department of Environmental Affairs.

I want to thank the leadership of Great Kei municipality both politicians and administration for all the efforts made to keep the municipality going despite all challenges. This institution has now been stabilised but a lot still needs to be done.

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A year that was marked by a number of challenges and successes, the inability to utilise MIG in time had a negative impact to our road infrastructure but I am happy that all funding has been committed.

Successes in 2011/2012 Financial Year can be summarized as follows:

- **On Good Governance and Public Participation:**
 - The establishment of audit and internal audit committees to give an assurance is a demonstration that there is commitment to address challenges facing the institution.
 - Discussions with Rate Payers leading towards a process of resolving the dispute.
 - Governance Systems are all in place
 - Establishment of ward committees to enhance public participation.

- **On Basic Service Delivery:**
 - 2011/2012 Municipal Infrastructure Grant, 12 projects have been constructed
 - Partnership between Great Kei, Amatole and Human Settlement department to accommodate people at zone 10 in temporal structure.
 - Cleaning of Komga Town by Department of Environmental Affairs
 - Establishment of Traffic department for easy access to learners licence and licences.

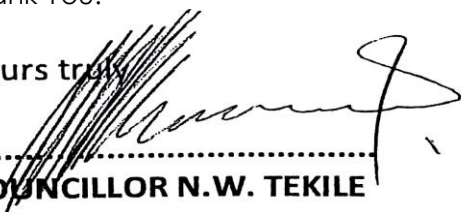
Though there are highlights and successes in 2011/2012 financial year, the municipality is still faced with the following challenges:

- The municipality has worked without the Top Management including the Municipal Manager.
- Huge roads infrastructure backlogs and internal streets compared to MIG funding makes it difficult to realize the objectives of the municipality.
- The municipality does not possess plant machinery for road maintenance.
- Mangqukela and Magrangxeni bridges that have collapsed due to heavy rains are still a challenge.

In summary we wish to extend our sincere word of gratitude to everyone who have contributed every little effort in assisting the municipality to discharge its constitutional obligation of serving our people and to making the year in review the great success it was.

Thank You.

Yours truly



.....
COUNCILLOR N.W. TEKILE

HONORABLE MAYOR/SPEAKER

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



In line with Municipal Powers and Functions enacted in **Schedule 4 Part B Schedule 5 Part B** of the South African Constitution 1996 (as amended), the municipality has performed its powers and functions distributed into five key performance areas as follows:

- Institutional Development and Organizational Transformation
- Basic Service Delivery
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

According to Section 156(1) of the South African Constitution 1996 as amended and Section 84(1) and (2) of the Municipal Structures Act 117 of 1998, the municipal planning function is a shared municipal function, with district and functions as stipulated above. The municipality therefore adopted the 2011/2012 IDP/Budget/PMS Process plan in line with Amathole DM Process Plan to guide the planning, reporting, monitoring and performance evaluation of the municipality.

Compiling 2011/2012 Annual Report of Great Kei Local Municipality Local Municipality was also guided by the following:

- South African Constitution 1996 as amended
- Municipal Finance Management Act 56 of 2003
- National Treasury MFMA Circular No. 63
- Local Government Annual Report Guidelines;
- 2010/2012 Integrated Development Plan;
- 2011/2012 Budget Document
- 2011/2012 Service Delivery and Budget Implementation Plan.

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The council notes specifically that most of the information required to be included by the annual report is attached as follows:

- Annual Financial Statements;
- Auditor General's Audit Report;
- Annual Performance Report;
- Summary of investments and revenue.

The purpose of 2011/2012 annual report is to provide a record of activities of the Municipality, to map our achievements on objectives set in the IDP, targets set in Service Delivery and Budget implementation Plan. The report seeks to further illustrate the municipality's financial performance, the revenue generated, investments including borrowings undertaken.

The following successes are noted in 2011/2012 financial year:

- **On Institutional Development and Organizational Transformation**
 - Prioritized and Budgeted Positions were filled
 - Internal Controls on Human Resources were enforced
- **On Basic Service Delivery**
 - Partnership with DoE, NERSA and Eskom has yielded results, Phase 2 of electricity power lines upgrading has been realized towards universal access by all communities.
- **On Local Economic Development**
 - As enacted in the National LED Framework government has a role to improve the coordination of economic development planning and implementation across government and between government and non-governmental actors. In the financial year ending, partnerships were established for funding of Local Economic Development Initiatives between the municipality, the Department of Social Development & Special Programs, SEDA, Department of Environmental Affairs and Amathole DM.
- **On Financial Viability and Management**
 - The municipality adhered to the MFMA Calendar, noting the tabling and adoption of Budget, tabling Annual Financial Statements, Budget Adjustment, submission of S71 Reports within prescribed time-frames.
- **On Good Governance and Public Participation**
 - Sitting of Council meetings and committees (Standing Committees, Audit Committee, and IDP Steering Committee) as scheduled is noted as key achievement in the year under review.
 - Participation of ward committees in the governance and government affairs is also highlight.

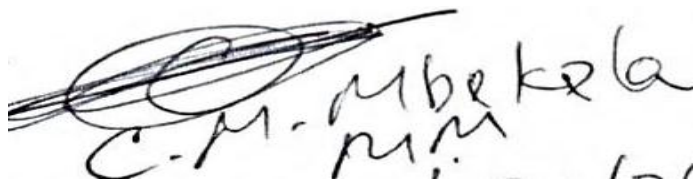
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Plans to overcome some of the challenges facing the municipality are currently underway which include but not limited to appointment of three S56 Managers (Technical/Community Services, Strategic Services and Corporate Services) in 2012/2013 financial year.

I would like to take the opportunity to again acknowledge the invaluable contribution to all staff members of Great Kei Municipality who continued to do the work with enthusiasm towards realizing the IDP Objectives and SDBIP Targets.

In addition I would like to thank you the support given to me as the Accounting Officer by the Honorable Speaker/Mayor Councilor N. W. Tekile and councilors.

I thank you.

A handwritten signature in black ink, appearing to read 'C. M. Mbekela' with 'M.M.' written below it. The signature is somewhat stylized and includes a large circular flourish at the beginning.

.....
C. M. Mbekela
Municipal Manager Great Kei Municipality

PART 1: C. Overview of the Municipality

A. Overview of the Municipality

The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometres (km²). The GKM is bounded in the East by the Great Kei River and Mquma Local Municipality, by the coastline between Kwelera and Kei Mouth in the South East, by the Buffalo City Municipality in the West and the Amahlathi Municipality, which is situated to the North. The Municipality is divided into six wards, which are the amalgamation of previously different communities and municipal entities, including Komga, Kei Mouth, Chintsa East, Haga Haga, Mooiplaas and Kwelera. Regional access is obtained through the district via the N2 National Route from East London to Butterworth with a provincial main road N6 connection between Komga and Stutterheim and the connection between Komga and King William's town and Bhisho is via the R63.

A graphical representation of the Great Kei Local Municipality is illustrated by the plan below.

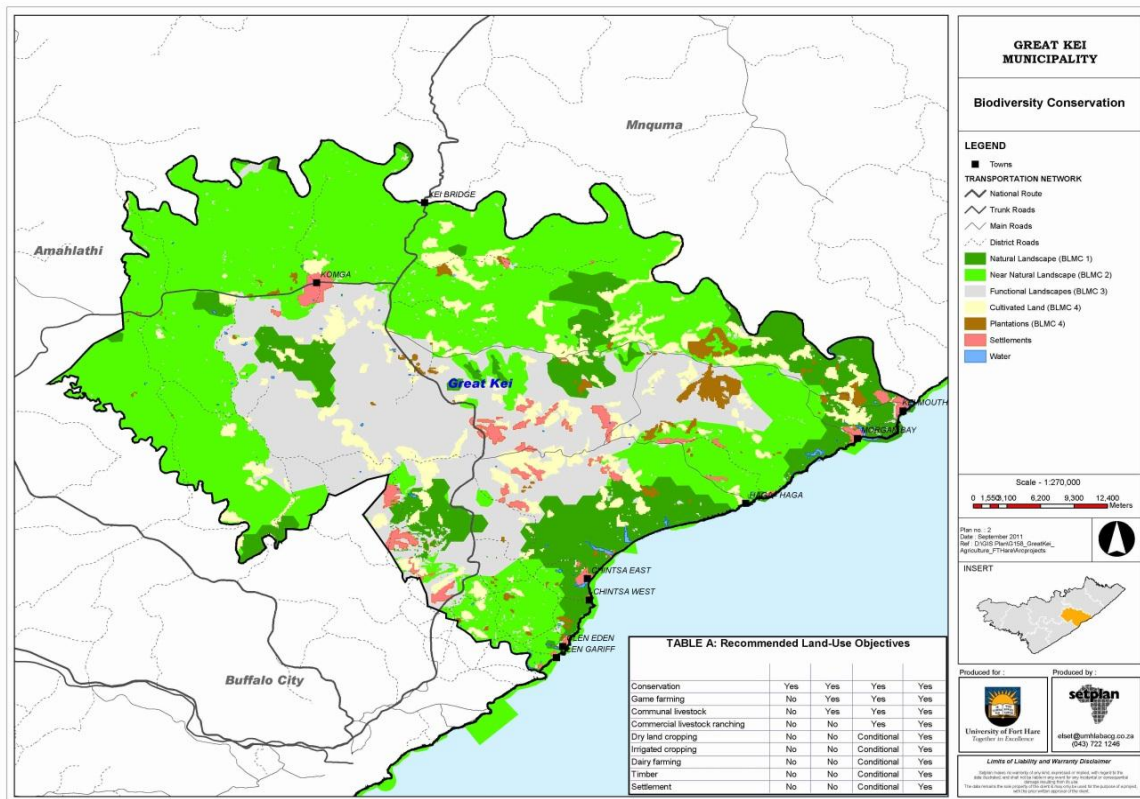


FIGURE 1- MAP OF GREAT KEI LOCAL MUNICIPAL AREA

B. Socio-demographic analysis

The population statistics indicate that the Eastern Cape provincial population grew slowly by a mere 0.72 percent per year between 2001 and 2009. During both 2008 and 2009 the province suffered a net outflow of emigrants. These patterns vary throughout the province, with some areas losing more than others, while there are cities and towns that are experiencing an inflow of people.

POPULATION

A recent Social Economic Profile of the Amathole District Municipality has recorded a small but significant increase in the Total population in Great Kei. Table 1: below:

COD E	MUNICIPALITY	96	97	98	99	2000	01	02	03	04	05	06	07
EC 123	Great Kei Municipality	40 802	41 700	42 613	43 555	44 521	45 509	46 477	47 397	48 271	49 117	49 940	50 739

Source: HIS Global Insight Regional explore 588 (2.4d)

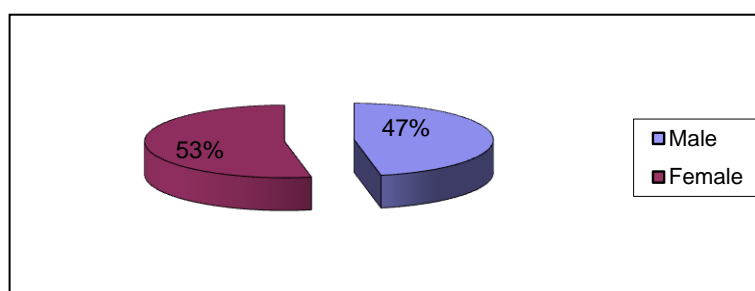
Table 2: Population by Sex

Age	White		Black African		Coloured		Indian/Asian		Total
	M	F	M	F	M	F	M	F	
0-19	297	274	10,036	9,716	95	99	0	0	20,517
20-34	203	195	4,249	4,733	61	52	3	0	9,496
35-49	252	302	2,516	3,523	36	45	0	0	6,674
50-64	358	378	1,394	2,207	27	28	0	0	4,404
65 +	251	257	1,077	1,776	11	6	0	0	3,378

Source: Statistics SA (2001)

Some 47 percent of the population in Great Kei Municipality is male and 53 percent female (refer to Figure 2). This highlights the fact that some men have left the area to work in areas of economic opportunity. Table 2 above illustrates that the female population (54%) within the rural area is slightly higher than that of the male population. However, this is considered to be a favourable distribution demonstrating a relatively high level of males remaining in the rural areas especially within the economically active age group.

Figure 2: Male/Female Ratio



Source: Statistic SA, 2001

Figure 2: Age According to Gender

There GKM currently has an estimated population of just 50 739 that make an approximate total of 11 363 households. Over 81 percent of the population of Great Kei lives in rural areas, villages and on farms. The population is spread amongst 6 wards with between 4 430 people (835 households) and 10 052 people (1 897 households) resident in each ward. This provides an average of 6 686 people per ward. The average household consists of 4.8 people.

Table 3: Population by Age

Population by age (1)	Great Kei Municipality	Female	Male	Total
5	0-19 years	10,089	10,428	20,517
6	20-34 years	4,980	4,516	9,496
7	35-65 years	6,495	4,583	11,078
8	65 years and more	2,039	1,339	3,378

Source: Statistics SA, 2001

Table 4: Population by Age

Population by age (2)	Great Kei Municipality Age Range	Total
9	0-4 years	3,612
10	5-19 years	16,905
11	20-29 years	6,980
12	30-49 years	9,190
13	50-64 years	4,404

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14	65 years and more	3,378
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Source: Statistic SA, 2001

It can be observed in the Table 4 (Data World Statistics, 2001) that half the population (46 percent) of Great Kei are children between the ages of 0 to 19 years. Some 21 percent of the population are youths (between 20 - 34 years), 25 percent middle aged (35 to 65 years) with 8 percent over 65 years of age (elderly). However, information supplied by Local Municipalities MDB Information, 2001, demonstrate a disproportionate (low) number of children under the age of 4 years old (refer to Table 4). Given that 74, 81% of the population is under the age of 15 years (MDB Information, 2001) this data requires further investigation, concerning the possible high incidences of child mortality;

Only 21% of the population fall within the 20 to 34 year age group. This may be ascribed to the fact that (1) many of the economically active have left the municipality for further education, training and work; or (2) a distortion of the population pyramid through the possible impact of HIV/AIDS within this age group.

In addition to the above, the high number of economically active (43% of the total population) has implications for the kinds of job opportunities and facilities that will be required in future.

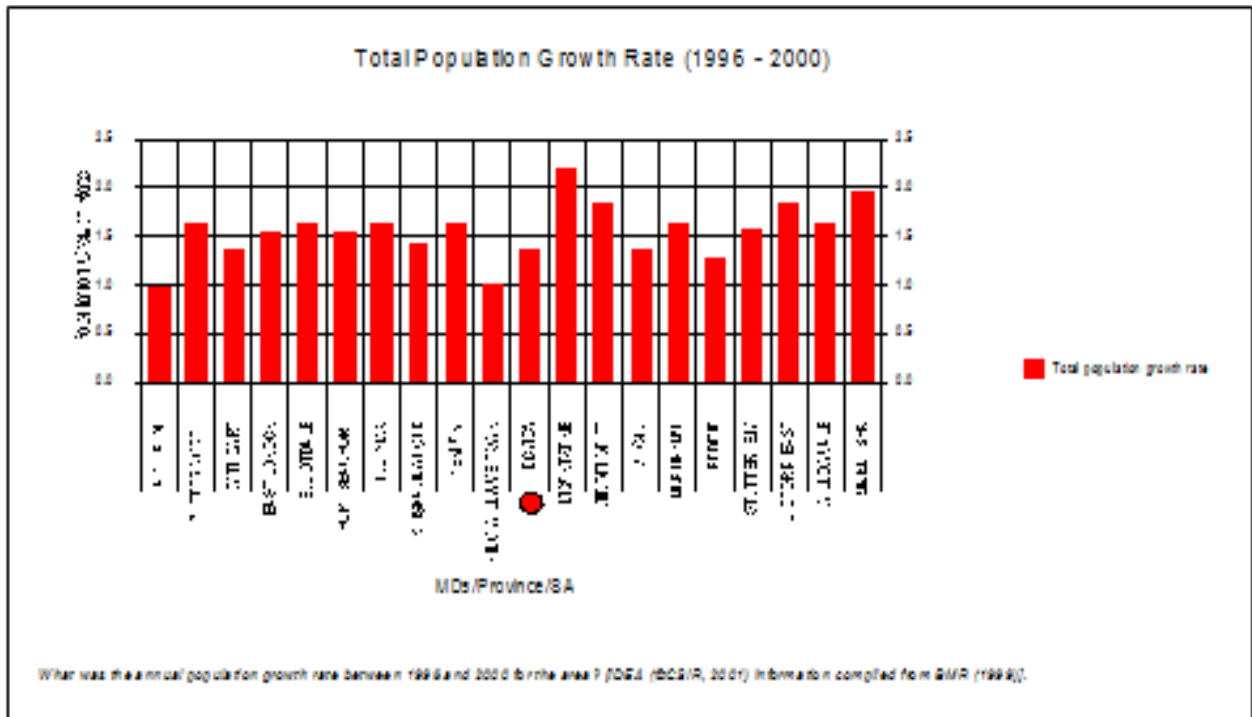
Table 5: Population Density

Population		
Density		people/km ²
1	Urban Areas	185.5
2	Great Kei Municipality	28.2

The service centres of Komga and Kei Mouth as well as the coastal settlements of Morgan's Bay, Haga Haga and Chintsa can be described as urban areas falling within the national definition of "an urban area administered by a local authority or municipality".

The population density within urban areas is estimated at 185 people/km (refer to Table 5). This can be attributed to the diverse economic activity and higher level of social and physical infrastructure services to be found within the centres. Urban centres within the area display a growth rate of around 1, 5% per annum (refer to Figure 3) compared to a negative growth rate of -1, 9% for the entire Great Kei Municipal area. This is believed to be the result of the steady exodus of families from farming areas and adjacent rural settlements, causing a population increase within local urban centres. Recent studies in South Africa have found that resettlement to nearby small towns remains an attractive option to dislocated rural families and individuals (particularly women), as opposed to moving to larger urban environments such as Buffalo City, Port Elizabeth and Cape Town (DBSA 2001).

Figure 3: Total Population Growth Rate (1996-2000)



Whilst the population natural growth rate in urban centres has been positive over the last few years (just less than 1, 5 percent), the implications of HIV/AIDS can be seen with projections to the year 2025 (where it decreases). This highlights that HIV/AIDS is becoming a critical issue and needs to be addressed through the IDP process.

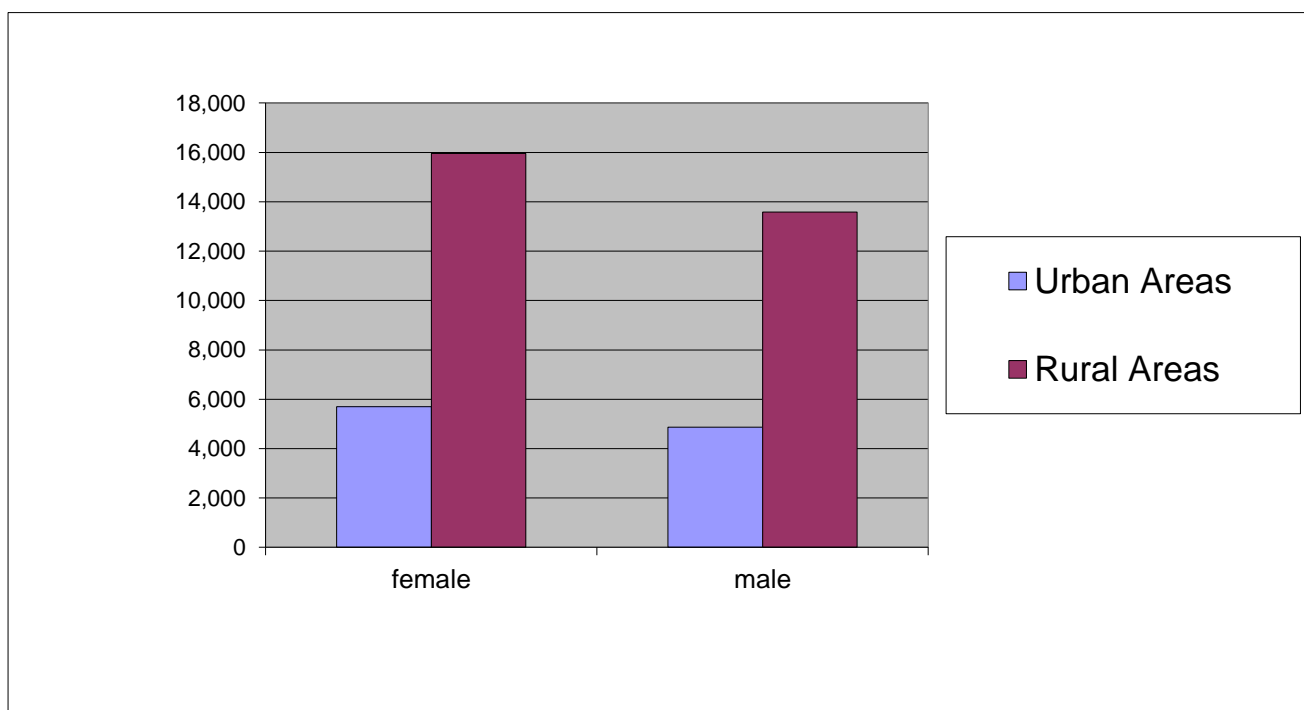
In the light of the findings of the DBSA report on Provincial Population Projections (Sept 2000) a low 1,00% annual growth rate is projected for the next five years resulting in a population growth from the current 40 116 people to 42 162 people in 2006.

Table 6: Average Household Size

No.	White	Black/African	Coloured	Indian Asian
1	173	1,866	22	0
2	488	1,517	17	3
3	159	1,480	20	0
4	175	1,472	21	0
5	43	1,277	20	0
6	23	940	12	0
7	8	637	3	0
8	0	401	0	0
9	3	237	0	0
10+	0	346	3	0

II. THE ECONOMY

People and businesses within the GKLM face a unique set of challenges to economic growth and development due to the structural economic profile of the GKLM region. This profile is characterized by a small population, low populations density, concentration of employment in agriculture, disinvestment in rural areas, the dominance of one urban centre in the region and the resultant disparity between rural and urban areas. In addition to this, the GKLM



had in 2007 a high prevalence of poverty (54 percent of households below the poverty line), declining employment levels (an average of 2 percent decline per annum) and resultant high unemployment levels (40 percent of the economically active population). (Urban Econ, 'Local Economic Development Training Workshop' 13 November 2007).

An analysis of the contribution of the various economic sectors to the Great Kei Municipality economy may be summarised as follows:

- The government sector (particularly health and education) contributes significantly to the GDP.
- Finance and Business Services and the Manufacturing sector also contribute significantly to the GDP
- The contribution of Agriculture has declined slightly.
- There has been a significant decline in the contribution of the Wholesale and Retail Trade sector, which indicates leakages to other areas, particularly since the population has remained stagnant
- The contribution of Community Services and Construction to the GDP has increased over the years

Overall, the Great Kei Local Municipality's economy registered positive growth during the past decade. The area will, however, have to maintain its economic growth rate in order to significantly improve welfare indicators.

III. EMPLOYMENT PATTERNS

Over 39% of the GKLM are employed in the formal economy. This is in line with the ADM and is significantly higher than the average for the Eastern Cape. Unemployment levels are similar to the provincial average (17%), but the proportion of those that are not economically active (not working, nor looking for work) is lower than the provincial rate of 53%.

There had been a gradual increase in the unemployment rate from 1996 which originally stood at 34.4%.

Total employment within the Great Kei Local Municipal area is dominated by the agricultural sector comprising 35.58%. Although the level of reliance has been declining in recent years, agriculture remains the dominant sector of employment in the region and contributes just less than a third of total employment.

Services, ranging from social and personal to financial and business, have been one of major growth sectors in terms of employment, as too has trade, catering and accommodation (much of this due to the growth in tourism products). Construction has also experienced growth due to the construction of new housing schemes. The manufacturing and government sectors have been consistent contributors to employment.

IV. ECONOMIC CHANGE

In their recent addresses, both the President and the Eastern Cape Premier emphasised the impact of the economic recession. The recession is likely to have had an impact also on trends in the GLM economy, but such statistics are not currently available. Some updated economic information was obtained from the recent Treasury presentation on the Division of Revenue Bill.

v. INFRASTRUCTURE CHANGE

The infrastructural status quo and changes in infrastructure are reflected in the discussion on Development Priorities of the IDP document.

vi. WARD-BASED PRIORITIES

The municipality embarked in ward-based consultations during January 2010 and January 2011. These ward priorities informed the goals, objectives and targets of the municipality for 2011/2012 financial year.

C. Executive Summary

The purpose of this executive summary is to analyse the service delivery and financial performance of the municipality.

Firstly in Part I summarize the situational analysis of the municipality, whilst Part II details the level of achievement, indicators for each key performance area and Part III Service Delivery Reporting for each functional area.

The municipality's financials, including the income statement, balance sheet, and statement of cash flows will be analysed. This includes the municipality's assets, liabilities, revenue, and net income.

Lastly Auditor General Report, A letter that seeks to explain the dispute between the Office of the Auditor General and the municipality and Audit Action Plan are attached in the report.

**PART 2: KPA ACHIEVEMENT
REPORT**

Chapter 1: HUMAN RESOURCES AND OTHER ORGANIZATION MANAGEMENT (KPA 1)

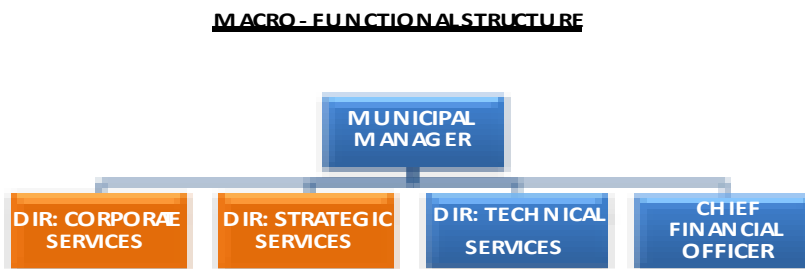
1.1 Presentation of the organizational structure (approved organogram)

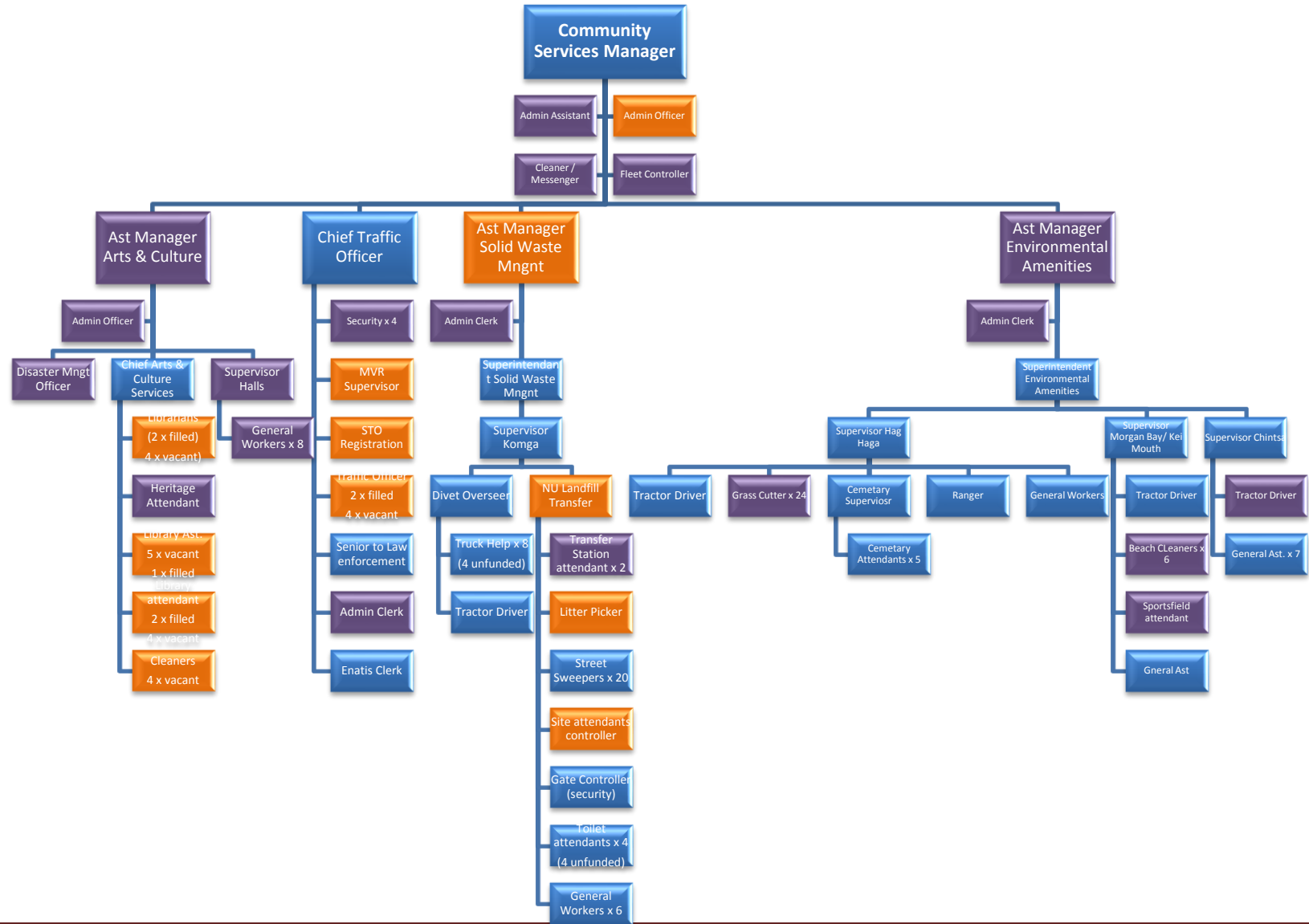
The Constitution of the Republic of South Africa Act 108 of 1996 in s153 directs municipalities to:

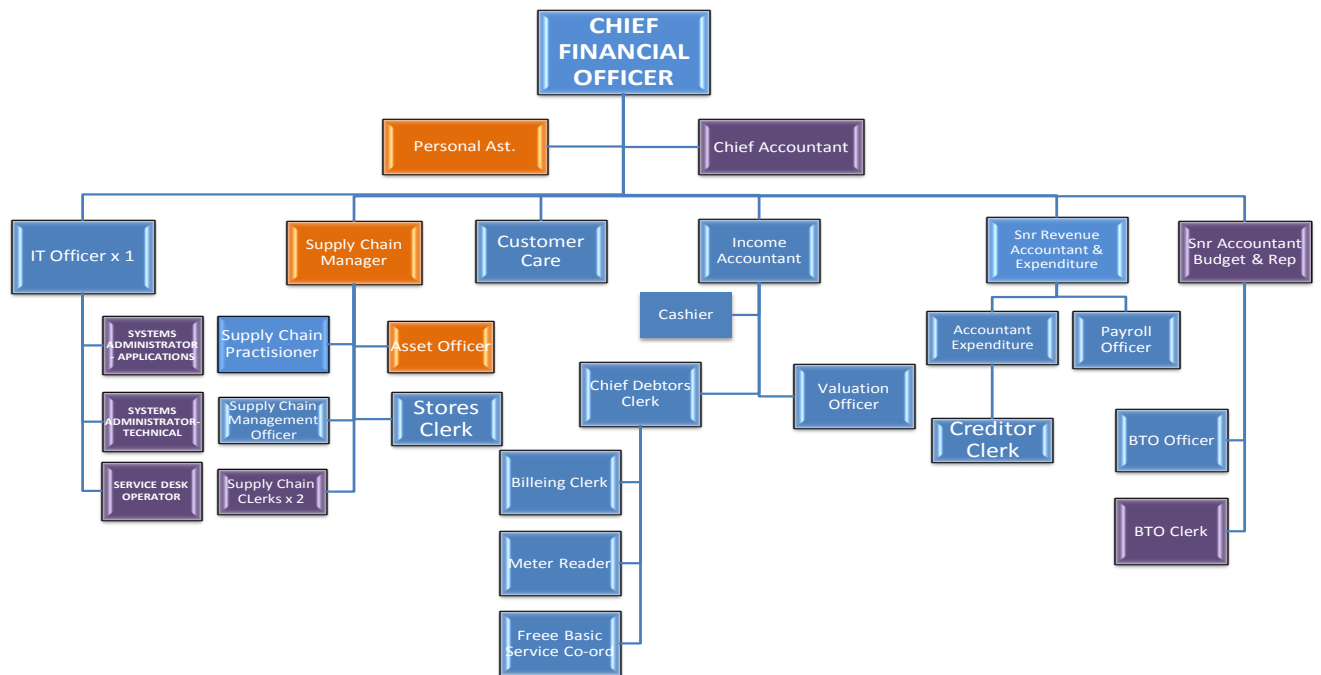
- a) Structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

Thus we maintain that organization structuring is a constitutional mandate given in order to ensure that the objects which the very constitution sets are met unequivocally. The other important aspect of this undertaking is to ensure that organizations in the post-apartheid era are capable of meeting the transformation challenges facing the country.

It is upon constitutional mandate that the municipality adopted organogram for 2011/2012 financial year as illustrated below, with 134 approved positions, 123 filled and 11 vacant funded.







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Prioritized and budgeted positions were as follows in 2011/2012 Financial Year:

- Municipal Manager's Office-X2
- Budget and Treasury Department x2
- Corporate Services-X3
- Engineering and Infrastructure Services Department-X2
- Community Services Department-X2
- Strategic Services-X1

Statistics on recruitment are as follows:

Year	Total Posts	Filled Posts	Vacant Posts
2009/2010	110	102	8
2010/2011	120	106	20
2011/2012	134	123	11

1.2 Performance Management

Great Kei Local Municipality Performance Management Systems is illustrated in the figure below:

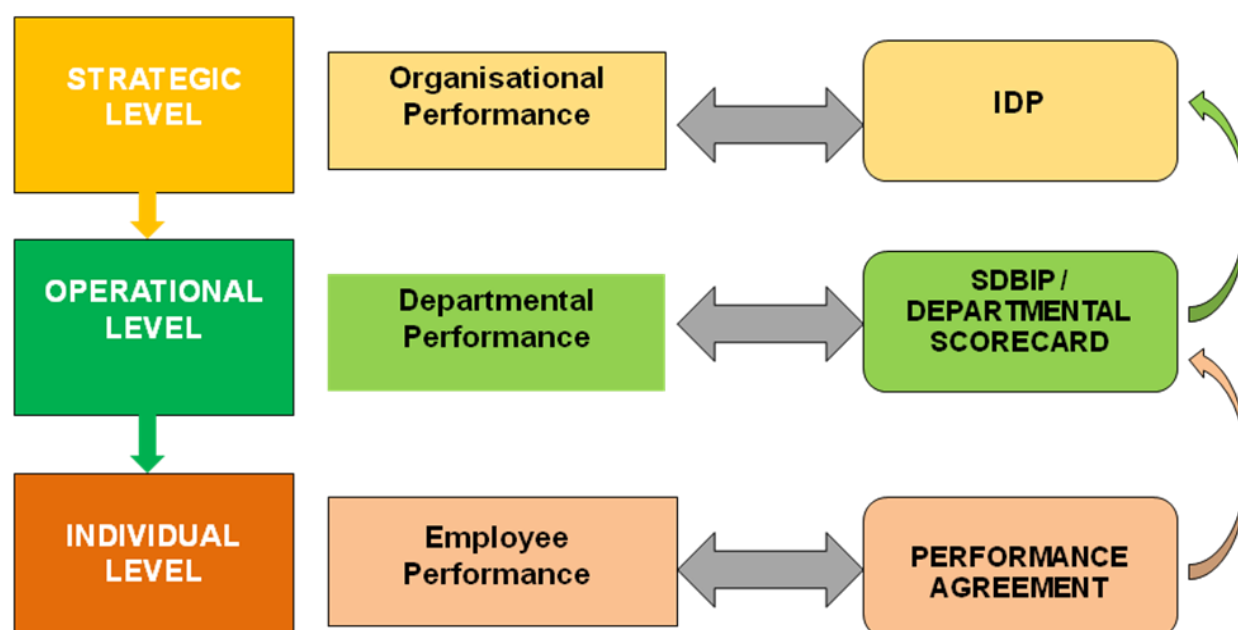


Figure I: A Summary of Levels of Performance Management

The Great Kei Local Municipality Performance Management System at organizational level in the Municipality is characterized by the steps that are set out in the figure below. Although the steps and what follows relate mainly to performance management at organizational level, the principles and approaches as espoused could also be applied to performance management at departmental level.



FIGURE 2: STEPS FOR MANAGING PERFORMANCE AT ORGANISATIONAL / DEPARTMENTAL LEVEL

Great Kei Municipality Local Municipality monitors performance through reports submitted to the following authorities on monthly, quarterly and annually:

Submitted to	Frequency
Council	at least quarterly
Municipal Manager	at least monthly
Internal Audit	at least quarterly

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As indicated earlier, the organizational scorecard and SDBIP has been adopted by Council in 2011/2012 financial year for consideration and review on a quarterly basis. The reporting therefore took place as follows in 2011/2012 financial year:

Quarter	Period Under Review	Month of Reporting
1 st	July to end of September	October
2 nd	October to the end of December	January
3 rd	January to the end of March	April
4 th	April to the end of June	July

The annual review in January coincided with the mid-year performance assessment as per section 72 of the MFMA. In this realm, GKLM also tabled the Annual Report to Council in January 2013, which was further publicized for public comments. It is also important to note that 2 Performance Contracts for the Municipal Manager and the Chief Financial Officer were signed.

Staff development initiatives during the Financial Year

Workplace Skill Plan adopted by council for 2011/2012 financial year prioritized training in the following persons and fields:

Total Number of People Trained	Designation	Course Name	Duration
07	- Receptionist - Stores Clerk - Cashier - Electrician	Customer Service	2 days
02	- Payroll Personnel - Income Accountant	Leave Management	2 days
1	Mayor/Speaker of the Municipality	Certificate in Advanced Programme and Diploma in Local Government Law and Administration	01 year program
11	11 Councillors	Induction for Councillors	2 days

1.3 Key HR statistics per functional area

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

a) MM/Section 56 Managers

	Approved positions (e.g. MM-S56 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Corporate Services Department	1	0	1
2	Budget and Treasury Office	1	1	0
3	Engineering/Technical Department and Community Services	1	0	1
4	Office of the Municipal Manager	1	1	1
5	Strategic Services Department	1	0	1
		5	2	3

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1. Technical Services Staff

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Director: Technical	1	0	1
2	Infrastructure Manager	1	1	0
3	Operations & Maintenance Control Officer	1	1	0
4	Building Control Officer	1	1	0
5	Town Planner	1	0	1
6	Town Planner Clerk	1	1	0
7	Project Manager	1	1	0
8	Finance & Admin Assistant	1	1	0
9	Electrician	1	1	0
10	Assistant Electrician	1	1	0
11	General Worker (Electricity)	2	1	1
12	Supervisor Maintenance	1	1	0
13	Driver - Grader	1	1	0
14	General Workers - Roads	4	2	2
	Total	18	13	5

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2. Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
123	65	15	43

3. Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2009-2010	102	18,807,635.00	15,480,296.00	82 %
2010-2011	106	19,011,749.00	18,873,698.00	99 %
2011-2012	123	31,172,538.00	21,401,619.00	69 %

Senior Officials Wages (Senior Officers)

Occupational level		Male	Females	Total
Senior Management	Number of workers	3	2	5
	Remuneration	R1383 822.51	R783 467.10	

Allowances for Senior Officials (Senior Officers)

Description of allowance	Amount
Accommodation allowance	N/A
Car allowance	R232 499.81
Cell phone allowance	R 13500.00

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

Names of pension fund	Number of members	Names of medical Aids	Number of members
SALA Pension Fund	1	SAMWU Medical Aid	33
SAMWU National Provident Fund	71	Bonitas	10
Cape Joint Retirement Fund	17	LA Health	26
		Key Health	2

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

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	134	123	80 %	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 56 Managers)	5	2	40 %	2 managers to be appointed in 2012/2013 financial year.
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	2	2	100 %	

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4	Percentage of Managers in Technical Services with a professional qualification	3	2	60%	
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	0	0	0	The municipality does not have a PMS Framework, only applied to Contract Positions to be cascaded in 2012/2013 financial year
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	134	123	80 %	
9	Percentage of councillors who attended a skill development training within the current 5 year term	13	12	99%	
10	Percentage of staff complement with disability	2	2	100 %	
11	Percentage of female employees	59	59	100%	
12	Percentage of employees that are aged 35 or younger	24	24	100%	

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

Challenges	Remedial Action
Skill gap: Labour relations and Employee wellness	<ul style="list-style-type: none"> ➤ Funding of Labour Relations officer. ➤ External Assistance sought for EWP
Audit Queries: Leave and overtime	<ul style="list-style-type: none"> ➤ Improving internal controls: Written Procedures ➤ Improve functionality of HR Module (Pay Day) ➤ External Assistance sought to put leave proper leave administration in place and clean the current leave information.
Salary Disparities	<ul style="list-style-type: none"> ➤ Job Description writing ad bench marking process to be outsourced
Out Standing Labour issues	<ul style="list-style-type: none"> ➤ Expediting pre arbitration ➤ Seeking assistance from SALGA for skilled Presiding and prosecuting officials ➤ Internal Dispute resolutions mechanisms to be explored for salary related matters.

Chapter 2: BASIC SERVICE DELIVERY (KPA 2)

2.1 Water services

a. Water services delivery strategy and main role-players:

The ADM is the Water Services Authority and a Water Services Provider, thus the Great Kei Local Municipality participates in the development of Water Services Plan to inform planning and funding requirements.

b. Levels and standards in water services:

An increase in the water services provision is noticed between 2001 and 2011 where in 2001 only 8.4 % households had an access to piped water services whilst in 2011 about 13.7 % households have access to piped water services.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog s (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	11 363	954 492	300	195	40%
2	Percentage of indigent households with access to free basic potable water	740	740	740	0	0%
4	Percentage of clinics	1 Community health centre and	2	2	2	100%

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	with access to potable water	5 clinics				
5	Percentage of schools with access to potable water	11363	2262	300	195	40%
6	Percentage of households using buckets	0	0	0	0	0

d. Major challenges in water services and remedial actions

GKM is neither the Water Services Authority nor the Water Services Provider.

2.2 Electricity services

a. Electricity services delivery strategy and main role-players

The table below illustrates the main role players and the role in electricity services:

PARTNER	ROLE OF THE PARTNER
Consultants	The municipality uses Engineering Consultants for Quality Assurance during installation of metres. The Municipality Staff is also supervised by the Engineering Consultants.
Eskom	Eskom availed professional staff to ensure the success of the project. Eskom staff was involved in the process of planning and they will also play an active role in maintaining the asset for the lifespan of the project.
Department of Energy/ National Treasury	Sources of Funding for Bulk Electricity Supply
Great Kei Local Municipality	Project Implementers. GKM supplied households with prepaid meters and to curb revenue loss the municipality planned to install split meters to keep the users from tampering with the meters.
The Department of Human Settlement,	Bulk Services Funder for Housing Projects

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog s (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	11 363	3000	1000	300	1%
2	Percentage of indigent households with access to basic electricity services	9000	3000	1000	300	1%
4	Percentage of indigent households with access to free alternative energy sources	0%	0%	0	0	0

c) Major challenges in electricity services and remedial actions

- Limited financial resources to reduce electricity backlogs, and thus dependency to the Department of Energy and ESKOM.
- Electricity theft through tempering with electricity meter boxes results in heavy losses.
- As a remedial measure GKM has completed the phase 2 of upgrading of electricity power lines of Komga. Coupled to this 300 split meters was procured and 100 split meters were installed and will be temper proof of electricity meters which should eliminate the losses currently being incurred.

2.3 Sanitation

a) Sanitation services delivery strategy and main role-players

Great Kei local Municipality is not the sanitation service provider but this function is contracted to Amathole District Municipality and with counter funding from MIG

2.4 Road maintenance

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

GKM with the limited resources doing road maintenance but need some support from other sector departments from government .GKM is busy with a SLA agreement and with the DPW to assist us in the maintenance program. The only funding source available is the Municipal Infrastructure Grant. The Department of Roads and Public Works is responsible for maintenance of the Districts Roads.

It is important as well to mentioned that DBSA was further approach for funding of the Roads infrastructure.

b) Level and standards in road maintenance services

The Department of Cooperative Government and Traditional Affairs has afforded GKM the services of an Engineer to help with the implementation of projects and maintenance.

c) Level and standards in road maintenance services

GKM embark on an electronics road Maintenance program to assist with the prioritisation of the roads. This program will be used to study the backlogs and also to get a high level reporting system in place.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlog s (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	11363	1823	5km-translated to 1823	1000	2%
2	Percentage of road infrastructure requiring upgrade	957km	957km	5km	1000	2%
4	Percentage of planned new road infrastructure actually constructed	6 Access roads	6	8	1500	95%
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	R 15 million	R5 M	R5 M	1000	86%

e) Major challenges in road maintenance services and remedial actions

- Challenges within the Road Maintenance Services are as follows:
 - Low revenue base of the municipality to set aside sufficient funding for maintenance of Roads Infrastructure
 - Most of Access Roads are in a bad state, they need maintainanince
 - Limited capital funding to consider Villages Internal roads, the only source of funding available is MIG.
 - Expertise lost in Technical Services Department due to high staff turnover.
 - The Lead Time in the appointment of contractors hampers service delivery.

2.5 Waste Management Services

a) Solid waste

Solid Waste Management within Great Kei is characterised by a predominantly privately managed dump system upon individual sites (i.e. backyards) rural villages and farms. Urban centres and some villages receive a weekly local authority waste collection services.

There are only two refuse removal trucks i.e. one compactor refuse truck and open refuse truck (tipper truck Datnis UD95 Nissan 8 tons). These vehicles are almost five (5) years old with mechanical challenges.

There are no registered solid waste sites in Great Kei Municipality however a number of unlicensed solid waste, sites do exist in the area. The establishment and operation of regional sites is a District Municipality function.

The site in Komga is not operating according to the prescribed requirements. The site is fenced off. The site is becoming a wet land area because of the old quarry cells that were dug to excavate the gravel.

Two (2) transfer stations are under construction in Chintsa and Kei Mouth.

The Kei Mouth transfer station is near completion. Waste from Kei Mouth, Morgans Bay and Chintsa will be collected to these transfer stations for sorting of recyclable materials so as to reduce the large volume of waste to be transported to Komga landfill site .Only non-recyclable material will be transported to Komga hence saving on transportation costs and air space. Garden refuse will be accepted in those transfer stations.

b) Level and standards in waste management services.

Great Kei Municipality is rendering once a week refuse collection from businesses and urban settlements. Villages of Great Kei Municipality are not receiving refuse collection

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because budgetary constraints. In areas where access by big refuse compactor truck is not possible a tractor or small bakkie is used to collect refuse in such area.

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	8365	2106	2106	4015	48%

d) Major challenges in waste management services and remedial actions

Challenges in waste management include budgetary constraints and human resources. Because of financial constraints it is not possible to have machine working in our landfill site full time. The absence of waste information system makes it difficult to know exactly the quantities of waste that we are collecting on daily basis. Only two (2) refuse trucks that are used to collect refuse and become a challenge when one is in for repairs or service.

In order to address the above it is recommended that:

- Additional refuse truck to be purchased
- Budget to improve on waste management programme
- Waste information system to be established for Great Kei Municipality.

2.6 Housing and Town planning (max 2 pages)

Currently there are only 2 staff members employed by the Municipality to deal with town planning and building control services. One Town planning Clerk and one Building Inspector.

Scrutiny of Building plans has been carried out by a service provider appointed by the municipality to provide building control services. Inspection and enforcing adherence to requirements needs to be addressed better.

Town planning related issues are being carried out by 2 temporary town planners the staff seconded by DBSA, before this deployment the service was being carried out by the asset and administration manager.

The Municipality is in the process of formalizing Chintsa East and Kei Mouth Township. A business plan to solicit funding was submitted to the Provincial Department of Housing, we have received communication acknowledging receipt of application and that it will be submitted to their monthly meeting for consideration.

Amathole District Municipality are busy with the provision of infrastructure at the Zone 10 Settlement, Komga to provide housing for the communities displaced from the surrounding farms. ADM has prepared and submitted a business plan for top structure funding to the Provincial Department of Human Settlement and they are still waiting for consideration.

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

GKM in conjunction with ADM are responsible for town planning ADM is looking after SDF and then GKM is doing the other town planning and rezoning approvals

b) 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	7035	6386	0	0	0
2	Percentage of informal settlements that have been provided with basic services	5226	4820	0	0	0
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	7035	6386	0	0	0

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

- The municipality is sitting with Backlogs of Applications since 2010, due to the fact that the function was previously not performed due to unavailability of the skills and expertise.
- In 2012/2013 financial year the municipality plans to appoint a Town Planner.

2.7 Spatial planning

a. Preparation and approval process of SDF:

The municipality adopted its Spatial Development Framework and Land Use Management in 2005/2006 Financial Year. A need has been identified to review the existing SDF for its alignment with 2012/2017 IDP Objectives, Strategies and Projects.

It is upon this background that ADM is planning to fund GKLM Spatial Development Framework in 2012/2013 financial year.

Specific reference is made to water services plans, disaster management plans, HIV/Aids programme, etc. Given the capacity, financial and legislative requirements, the Great Kei Municipality is in the process of updating and preparing many of these sector plans and programmes and is subject to the availability of financial and capacity assistance from district and provincial levels.

The settlement patterns of Great Kei Municipal Area is characterised by three prominent urban settlements, namely Komga, Kei Mouth, Morgan's Bay and Chintsa. Komga is the administrative centre of the Great Kei Municipal Area. The agricultural sector employs the highest percentage of people therefore it plays a fairly big economic role. There is however still a high level of unemployment in great Kei Municipal Area.

b. Land use management:

Significantly, land set aside for private commercial agriculture constitutes the bulk (96%) of the municipal available land resource where much of the agricultural practice in the area (77%) is based on the extensive utilisation of the veld for livestock production (cattle, sheep and goats).

Source: D Data (1995) - Existing Land Use / Magisterial district of the 1 421km² municipal areas, some 57km² is taken up by the urban service canterers of Komga and Kei Mouth which represents

4% of the total district area (refer to Table 2 and Figure 2). Komga functions as the predominant rural service centre to the surrounding agricultural areas as well as adjacent parts of Mnquma. It also serves as an urban communications link and small commercial centre

The coastal settlements of Kei Mouth, Morgans Bay, Haga Haga and Chintsa, whilst having a small number of permanent residents, have over many years provided a tourism and holiday destination for both local and national visitors who regularly spend their holiday in the area. Approximately 0.5% of the area, mostly within the coastal forest reserve, is protected for environmental conservation purposes. Figure 2: Land Use – District

Land Use - District

- Formal residential Informal residential Business
- Agriculture Services Transport Other
- Applications received

b. Major challenges in spatial planning services and remedial action

The 2004 SDF is not aligned to the IDP hence the ADM appointed the Service Provider on behalf of the GKLM to review the SDF.

2.8 Indigent policy implementation (1 page max):

a. Preparation and approval process of the indigent policy

The municipality has an approved indigent policy; however a need to review the policy has been identified to ensure alignment with Eastern Cape Provincial Framework and other pieces of Legislation.

The objective of the review to ensure effective and efficient implementation as follows:

- Provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
- The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidization;
- Establishment of a framework for the identification and management of indigent households including a socio-economic analysis where necessary and an exit strategy; The provision of procedures and guidelines for the subsidization of basic charges and the provision of free basic energy to indigent households; and Co-operative governance with other spheres of government

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2.9 Overall service delivery backlogs

Basic service delivery area	30 June 2011			30 June 2012.		
	Required	Budgeted	Actual	required	budgeted	Actual
Water backlogs (6KL/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	<p>ADM is the Water Services Authority and the Water Services Provider. The funding therefore is determined by the ADM as informed by Great Kei Municipality's priorities.</p>					
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Electricity backlogs (30KWH/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	10M required for a period of five year	2M	2M	R10 M	R1M	R1
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	3000 Households	333	1%	3000 Households	333	1%

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Spending on new infrastructure to eliminate backlogs (R000)	15M											
Spending on renewal of existing infrastructure to eliminate backlog (R000)												
Total spending to eliminate backlogs (R000)												
Spending on maintenance to ensure no new backlogs (R000)												
Sanitation backlogs												
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	<p>ADM performs the function on behalf of the GKLM. The funding therefore is determined by the ADM as informed by Great Kei Municipality's priorities.</p>											
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)												
Spending on new infrastructure to eliminate backlogs (R000)												
Spending on renewal of existing infrastructure to eliminate backlog (R000)												
Total spending to eliminate backlogs (R000)												
Spending on maintenance to ensure no new backlogs (R000)												
Road maintenance backlogs												

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Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	11.8 Million	R11.8 Million	R11.8 M	R20.8 M including rollover funds	R14.4 M	0%
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	2671 Households	2671	2101	2241 Households	2241 Households	0%
Spending on new infrastructure to eliminate backlogs (R000)	11.8 %	11.8 %	R3.7 M	R15.6 M	R14.4 M	0%
Spending on renewal of existing infrastructure to eliminate backlog (R000)	Department of Roads and Public Works budgeted for maintenance of Provincial Roads Infrastructure					
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	8365	2106	2106	4015	48%	
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	4350	R5M	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R000)	425 000	425 000	425 000	R15M	0	0
Spending on renewal of existing infrastructure to	300 000	0	0	R8M	0	0

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eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)	R7.5 M	R7.5	R7M	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	R6.2 M		R3,5 M	0	0	0
Housing and town planning						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						

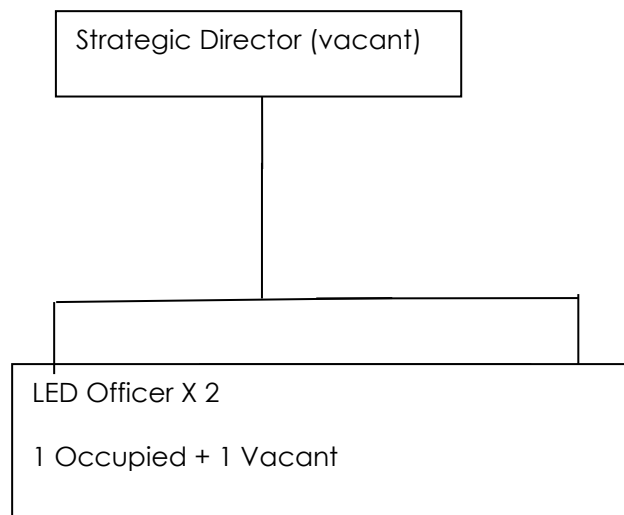
Chapter 3: LOCAL ECONOMIC DEVELOPMENT (KPA 3)

3.1 Brief presentation of LED strategy/plan

The municipality does not have an approved LED Strategy. The ADM committed funding of the strategy in 2012/2013 financial year and is expected to be complete by June 2013.

3.1.1 Setting up the LED unit

The comparative and competitive advantage of the municipality is Tourism and Agriculture. One position within the LED Unit that is currently occupied, however the municipality has prioritized one position for 2012/2013 financial year. The LED structure in 2011/2012 was as follows:



The Great Kei Municipality has taken strides to capacitate the current LED Officer. She has been taken to capacity building programmes through short courses and learnership programmes. The training provided has enhanced the knowledge and skill of the incumbent

3.1.2 LED Stakeholder Forum Functionality

Great Kei Municipality had established an Led Forum in 2008 which ceased as a result of numerous complaints from the stakeholders concerned. The stakeholders clearly requested to hold sector forums instead of the amalgamated forum due to time constraints and relevance of items to their operations. Three Sector Forums were therefore established i.e. Heritage, Tourism and Agriculture.

3.1.3 Funding Opportunities of LED Activities

By end of June 2012, the municipality, Social Development, DEA, ADM, SEDA funded the following programs and projects:

1. Great Kei Municipality budgeted R560 000 for LED activities, R200 000.00 for GKM Summer Festival, R60 000 for Tourism Awareness Campaign, R50 000.00 for Tourism Support activities and VIC's, R250 000.00 for Agricultural support.
2. ADM – Tourism provided R100 000 for Great Kei Summer festival and R250 000 for the Jikeleza festival. They provided trainings or capacity building programmes to different sectors. They have also purchased start-up equipment and machinery for brick manufacturing co-operatives. A programme to promote our heritage and culture was also conducted for scholars.
3. Social Development provided funding to different LED projects ranging from R500 000 –R750 000 per project. They were start –ups or top up funding initiatives.
4. The Department of Environmental Affairs provided funding for three (3) projects in Great Kei. Of the 3. The programmes fall under the auspices of the Expanded Public Works Projects programme. They funded the Municipal recreational Parks Project in Kei Mouth with R5 000 000.00 over 1 year ending February 2013. The project constructed a picnic area with recreational facilities in Icwili and the rehabilitation of the Caravan Park. The other is project is a Coast Care Project shared on a 60:40 basis between Buffalo City Metro and Great Kei at a cost of R11 000 000.00. The project commenced in 2011 and is expected to run for 2 years. It covers the coast between Kei Mouth and Keiskammahoek.
5. SEDA provided training to Siyazama co-operative in Nyara on a 90:10 split ratio with the bulk of the fee paid by SEDA. The training was on manufacturing of SABS approved bricks.

3.2 Progress towards achieving the LED key objectives

3.2.1 The municipality's main Local Economic Development Objectives:

- To have a robust and inclusive local economy, exploiting local opportunities, real potential and competitive advantage
- To develop and promote the businesses, services and products that are locally produced.
- Build an agrarian economy in support of poor communities
- To develop the tourism potential of Great Kei Municipality
- To ensure that all programmes are aligned to EPWP principles
- To ensure that the lives of the rural community are changed for the better
- To ensure comprehensive management of heritage resources in Great Kei
- To motivate and promote the importance of education for economic development to scholars

3.2.2 Progress by June 2012 towards realizing LED Objectives

A need for a Spatial Development Framework has been identified as critical to improve the private sector confidence. The ADM has therefore committed to fund the review of the Spatial Development Framework in 2012/2013 financial year.

The current SDF developed adopted by Council in 2005 identifies the Economic Corridors of the municipality as Agriculture and Tourism, however there is a need to align SDF with IDP Objectives.

3.2.2.1 Investments and trading by-laws

The Great Kei Municipality welcomes any and prospective proposals from investors who wish to develop Great Kei in line with the municipality's objectives.

3.2.2.2 Provision and maintenance of quality and reliable infrastructure: Roads; ITC; Market places.

The municipality has developed a three capital plan to improve the roads infrastructure, reduce electricity backlogs and improve ICT. The three year capital implementation is aimed at supporting the Local Economic Development of the institution.

3.2.2.3 Disaster Management

Disaster Risk Profile has been developed by ADM on behalf of the local municipality. The profile identifies that LM is vulnerable to veld fires, hence there is a need to establish Agricultural Forum planned for 2012/2013 financial year.

3.3. Exploit comparative and competitive advantage for industrial activities.

LED received an internal budget for the first time to promote, develop and support tourism and agricultural development initiatives. The Eastern Cape is mainly an agricultural area with tourism potential.

Tourism areas are mainly underdeveloped coastal villages on the wild coast and sunshine coast. However Great Kei's main advantage in agriculture is that it is situated on the rain belt with sweet veld therefore having tremendous potential in crop and animal husbandry. It is also the only serviced area along the wild coast.

3.3.1 Intensify Enterprise support and business development

The type of business development services provided to SMME

There was an internal budget to assist local businesses to drive and capacitate the emerging businesses towards formal enterprises. There were initiatives to train local businesses in capacity building and skilling workshop by facilitating or sourcing government agencies support. 5 co-operatives were trained by SEDA in Basic Bookkeeping, project and Business Management and SABS Manufacturing Services.

The municipality also engaged the Department of Environmental Affairs to fund projects under the auspices Expanded Public Works Programs. Coast Care employed 40 people and the Municipal Recreational Park project employed 81. These beneficiaries were trained in skills programs that would even later provide a basis for entrepreneurial opportunities.

3.3.2 Support Social investment program

The LED unit has a record of 29 registered and unregistered co-operatives at various stages and in agriculture, tourism, arts and craft. There are no Great Kei Municipality business associations within the municipality though they have their private business associations by area. An unemployment database identifies that +2000 youth is unemployed around the Great Kei Local Municipality.

The Municipality thus plans to develop a strategy with short medium and long term objectives to ensure support to local community entities. Agricultural and Tourism Forums to support the strategy will also be established in 2013/2014 financial year.

Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1.	Percentage of LED Budget spent on LED related activities	560 000	320 000	57%
2.	Number of LED stakeholder forum held	12	3	25%
3.	Percentage of SMME that have benefitted from a SMME support program	20	38	190%
4.	Number of job opportunities created through EPWP	100	121	121%
5.	Number of job opportunities created through PPP	0	0	0

3.4 Challenges regarding LED Strategy Implementation

The Great Kei Municipality is mainly a rural community with about 60% of its populace residing in villages.

The poverty levels within the municipality are dire and require enormous support by government. For the more affluent communities the infrastructure is slowly decomposing and needs a major overhaul.

For a category 2 municipality faced with such challenges and backlogs it is imperative that the government services be moved closer to the people we wish to serve. The capacity building initiatives and programs needs to be strengthened. A process to sign Memorandum of Understanding with SEDA will be undertaken.

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

4.1 AUDITED FINANCIAL STATEMENT

GREAT KEI MUNICIPALITY			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2012			
	Note	2012 R	2011 R Restated
ASSETS			
Current assets		34,630,233	18,277,747
Cash and cash equivalents	1	27,646,654	16,328,539
Trade and other receivables	2	6,983,579	1,949,209
Non-current assets		284,400,937	296,037,192
Property, plant and equipment	3	175,675,274	179,591,894
Intangible assets	4	178,009	40,393
Investment property carried at deemed cost	5	107,486,712	107,486,712
Working capital progress	6	1,060,943	8,918,193
Total assets		319,031,170	314,314,940
LIABILITIES			
Current liabilities		24,177,272	10,878,959
Trade and other payables from exchange transactions	7	8,385,137	4,075,303
Consumer deposits	8	80,503	80,503
VAT payable	9	1,406,197	1,922,816
Accruals	10	1,673,919	1,563,517
Current provisions	11	138,000	384,591
Current portion of unspent conditional grants and receipts	12	10,573,330	1,003,762
Current portion of borrowings	13	293,414	257,048
Other current financial liabilities	14	1,626,772	1,591,421
Non-current liabilities		3,659,413	3,944,007
Non-current borrowings	13	2,652,693	2,945,970
Non-current provisions	15	1,006,720	998,037
Total liabilities		27,836,685	14,822,966
Net assets		291,194,485	299,491,974

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NET ASSETS

Accumulated surplus / (deficit)	291,194,485	299,491,973
Total net assets	291,194,485	299,491,973

GREAT KEI MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2012

	Note	2012 R	2011 R Restated
Revenue			
Property rates	16	12,243,249	10,355,256
Service charges	17	8,193,127	11,778,520
Rental of facilities and equipment	18	181,004	266,916
Interest earned - external investments	19	794,059	790,808
Fines		1,650	10,600
Licences and permits		2,397,647	1,190,073
Government grants and subsidies	20	34,326,625	34,228,387
Other income	21	1,224,682	1,675,649
Total revenue		59,362,043	60,296,209
Expenses			
Employee related costs	22	18,189,105	17,121,242
Remuneration of councilors	23	2,847,317	2,529,904
Bad debts		3,993,977	31,043,506
Depreciation and amortisation expense	24	14,884,995	11,597,013
Repairs and maintenance		1,426,945	1,742,636
Finance costs	25	443,236	445,501
Bulk purchases	26	6,259,354	5,145,745
General expenses	27	15,893,137	16,082,282
Total expenses		63,938,065	85,707,829
Profit / (loss) on fair value adjustment	28	-	(166,627)
Surplus / (deficit) for the period		(4,576,022)	(25,578,247)

GREAT KEI MUNICIPALITY			
CASH FLOW STATEMENT			
as at 30 June 2012			
	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		50,389,773	41,551,435
	Sales of goods and services	11,464,106	3,389,002
	Grants	34,326,625	34,228,387
	Interest received	794,059	790,808
	Other receipts	3,804,983	3,143,238
Payments		35,566,010	33,968,306
	Employee costs	21,036,421	19,651,146
	Suppliers	14,086,352	13,871,659
	Interest paid	443,236	445,501
Net cash flows from operating activities	29	14,823,764	7,583,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(827,650)	(134,043)
Additions of working in progress		(2,184,372)	(9,169,974)
Purchase of intangibles		(236,715)	(60,590)
Net cash flows from investing activities		(3,248,738)	(9,364,607)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(256,911)	(227,309)
Net cash flows from financing activities		(256,911)	(227,309)
Net increase / (decrease) in net cash and cash equivalents		11,318,115	(2,008,787)
Net cash and cash equivalents at beginning of period		16,328,539	18,337,326
Net cash and cash equivalents at end of period	30	27,646,654	16,328,539

GREAT KEI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

	2010	Note	Accumulated	Total: Net
			Surplus/(Deficit)	Assets
			R	R
Balance as previously reported at 30 June			31,749,276	31,749,276
Prior period error		31	3,222,844	
Changes in accounting policy		31	290,098,100	290,098,100
Restated balance			325,070,220	325,070,220
Deficit for the period			(25,578,247)	(25,578,247)
Balance at 30 June 2011			299,491,974	299,491,974
Restatement of prior year balances		31	(3,721,467)	(3,721,467)
Restated balance			295,770,506	295,770,506
Deficit for the period			(4,576,022)	(4,576,022)
Balance at 30 June 2012			291,194,485	291,194,485

GREAT KEI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at bank		7,246,672	5,392,343
Call deposits		<u>20,399,982</u>	<u>10,936,196</u>
		<u>27,646,654</u>	<u>16,328,539</u>
 The Municipality has the following bank accounts:			
-			
<u>Current Account (Primary Bank Account)</u>			
- Standard Bank Limited : Account Number 280720963		3,664,191	2,352,841
Cash book balance at beginning of year		<u>2,352,841</u>	<u>3,731,965</u>
Cash book balance at end of year		<u>3,664,191</u>	<u>2,352,841</u>
Bank statement balance at beginning of year		<u><u> </u></u>	<u><u> </u></u>

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	<u>2,266,721</u>	<u>877,040</u>
Bank statement balance at end of year	<u>1,521,256</u>	<u>2,266,721</u>
<u>Current Account (Other Account)</u>		
Standard Bank Limited : Account Number 285973452	1,726,925	1,217,122
Standard Bank Limited : Account Number 285946110	1,855,556	1,822,380
Cash book balance at end of year	<u>3,582,481</u>	<u>3,039,502</u>
Bank statement balance		
Standard Bank Limited : Account Number 285973452	1,730,224	1,217,122
Standard Bank Limited : Account Number 285946110	<u>1,922,705</u>	<u>1,822,380</u>
	<u>3,652,930</u>	<u>3,039,502</u>
<u>Investment Accounts</u>		
Standard Bank Limited : Account Number 285977334	1,694,214	1,664,127
Standard Bank Limited : Account Number 388520523-401	1,509	1,486
ABSA Bank Limited : Account Number 9079485834	10,800	10,791
Standard Bank Limited : Account Number 388526734-003	623,512	603,547
Standard Bank Limited : Account Number 388529768-402	8,716,081	2,056

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Standard Bank Limited : Account Number 388528672-001	1,240,952	398,239
Standard Bank Limited : Account Number 388528672-002	1,689	715,958
Standard Bank Limited : Account Number 388527544-402	5,170,181	6,125,201
ABSA Bank Limited : Account Number 9059902802	733,568	1,229,151
Standard Bank Limited : Account Number 388528672-003	-	33,543
Standard Bank Limited : Account Number 38852386-001	<u>2,207,478</u>	<u>152,098</u>
Cash book balance at end of year	<u>20,399,982</u>	<u>10,936,196</u>

Bank statement balance at end of year

Standard Bank Limited : Account Number 285977334	1,694,214	1,664,127
Standard Bank Limited : Account Number 388520523-401	1,509	1,486
ABSA Bank Limited : Account Number 9079485834	10,800	10,791
Standard Bank Limited : Account Number 388526734-003	623,512	603,547
Standard Bank Limited : Account Number 388529768-402	8,894,716	2,056
Standard Bank Limited : Account Number 388528672-001	1,240,952	398,239
Standard Bank Limited : Account Number 388528672-002	824,456	715,958
Standard Bank Limited : Account Number 388527544-402	5,170,181	6,125,201
ABSA Bank Limited : Account Number 9059902802	738,480	1,229,151
Standard Bank Limited : Account Number 388528672-003	-	33,543

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Standard Bank Limited : Account Number
38852386-001

2,207,478 152,098

21,406,297 10,936,196

Total cash and cash equivalents

27,646,654 16,328,539

2 TRADE AND OTHER RECEIVABLES

2.

1 Summary

Trade

6,882,540 1,904,248

Other

101,039 44,961

Total

6,983,579 **1,949,209**

2.

2 Gross aging: Trade Rates:

Current (0 – 30 days)

970,474 -

31 - 60 Days

951,241 -

61 - 90 Days

- -

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	845,904	
91 and above	<u>15,862,611</u>	-
	<u>18,630,230</u>	-
Electricity:		
Current (0 – 30 days)	234,400	-
31 - 60 Days	141,427	-
61 - 90 Days	167,243	-
91 above	<u>4,845,641</u>	-
	<u>5,388,711</u>	-
 Refuse		
Current (0 – 30 days)	4,452,581	-
31 - 60 Days	424,608	-
61 - 90 Days	415,595	-
91 above	<u>17,102,930</u>	-
	<u>-</u>	-

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	<u>22,395,714</u>	
Total	46,414,655	-
Total Provision	<u>39,532,115</u>	-
	<u>6,882,540</u>	-

The comparative aging information was not available for the debtors by category

2. Summary of Debtors by Customer
3 Classification

	Consumer s R	Industrial / Commerci al R	National and Provincial Governme nt R
as at 30 June 2012			
Current (0 – 30 days)	5,299,118	266,034	92,302
31 - 60 Days	1,257,682	177,308	82,287
61 - 90 Days	1,169,857	224,914	33,971

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91 and above	<u>32,780,713</u>	<u>3,799,202</u>	<u>1,801,711</u>
Total	<u>40,507,370</u>	<u>4,467,458</u>	<u>2,010,271</u>

as at 30 June 2011

Current (0 – 30 days)	1,752,850	2,317,520	181,103
31 - 60 Days	796,580	564,747	102,000
61 - 90 Days	761,452	555,052	500,894
91 and above	<u>10,290,312</u>	<u>18,629,666</u>	<u>990,517</u>
Total	<u>13,601,194</u>	<u>22,066,985</u>	<u>1,774,514</u>

2.

4 Reconciliation of the doubtful debt provision

Balance at beginning of the year	36,473,154	4,055,204	
Contributions to provision	3,993,977	31,276,665	
Fair value adjustment		- 206,269	
Other receivables		- 935,016	
Balance at end of year	<u>40,467,131</u>	<u>36,473,154</u>	

2. Included in other receivables provision are long
5 outstanding councilors debts which are under investigation to establish how they are arose and possible recovery.

**GREAT KEI MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012**

	2012	2011
	R	R
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	5,080,655	1,940,826
Payments received in advance	2,768,821	2,134,477
Other creditors	535,661	-
	8,385,137	4,075,303
	8,385,137	4,075,303
<p>The fair value of trade and other payables approximates their carrying amounts as the municipality pays its major providers of services within 30 days</p>		
8 CONSUMER DEPOSITS		
Electricity and Water	80,503	80,503
	80,503	80,503
	80,503	80,503
9 VAT		
9.1 Payable	1,406,197	1,922,816
	1,406,197	1,922,816
	1,406,197	1,922,816

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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors and amount due represent the VAT component in receivables.

10 ACCRUAL

13th bonus cheque	548,443	446,549
Leave pay provision	1,125,476	1,116,969
	1,673,919	1,563,517

11 PROVISIONS

Current portion of long-service provision	138,000	384,591
Total Provisions	138,000	384,591

Performance bonuses are paid one year and five months in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process.

	Current portion Long-service	Other provisions
as at 1 July 2011	138,000	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2012	138,000	-

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as at 1 July 2010

Transfer from non-current

Contributions to provision

Expenditure incurred

as at 30 June 2011

384,591 -

- -

- -

- -

384,591 -

12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

12.1 Unspent Conditional Grants from other spheres of Government

MIG Grants

8,573,330 -

12.2 Other Unspent Conditional Grants and Receipts

2,000,000 1,003,762

Total Unspent Conditional Grants and Receipts

10,573,330 1,003,762

Current portion of unspent conditional grants and receipts

10,573,330 1,003,762

See Note 18 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

13 BORROWINGS

13.1 Long term portion

Current term portion

2,652,693 2,945,970

293,414 257,048

2,946,106 3,203,017

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13.2 The loan represents amounts owing to The Development Bank of Southern Africa "DBSA" by the Municipality. The loan is repayable over 10 years commencing from 30 June 2009 on equal quarterly instalments with a fixed annual interest rate of 13%. The loan is secured by a mortgage bond registered in favour of DBSA over the Municipality's Head offices, formerly Royal Hotel situated at Number 17 Main Street, Komga.

14 OTHER FINANCIAL LIABILITIES

Other current financial liabilities

1,626,772 1,591,421

15 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites

998,037 998,037

Increase in provision

8,683 -

Total Non-Current Provisions

1,006,720 998,037

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8.5%, over an average period of 187 years.

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year

(998,037) (998,037)

Increase in provision due to discounting

(8,683) -

Balance at the end of year

(1,006,720) (998,037)

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The municipality has an obligation to restore a landfill site situated in Komga (provided by the Amathole District Municipality). The site is currently unlicensed and is used for general waste disposal (non hazardous) purposes. The rehabilitation costs of the landfill site was carried out by a professional from OCA and the the costs were initial recognised at 30 June 2011.

16 PROPERTY RATES

-

All properties

12,243,249 10,355,256

Valuations

Residential

2,168,368,228 2,168,368,228

Commercial

140,357,600 140,357,600

State

116,488,535 116,488,535

Municipal

123,044,612 123,044,612

Other

997,164,657 997,164,657

Total Property Valuations

3,545,423,632 **3,545,423,632**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

The following rates have been applied to property valuations to determine assessment rates (Rebates in brackets):

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Residential properties	0.0045 (Rebate of R45 000 on valuation amount)
Commercial properties	0.009
Government properties	0.0015
Agricultural properties	0.0015 (Rebate of 50% on rates amount).

Rates are levied on a monthly basis and due for payment in the following month.

17 SERVICE CHARGES

Sale of electricity	4,366,836	5,332,732
Refuse removal	3,826,291	6,445,788
Total Service Charges	8,193,127	11,778,520

18 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	181,004	266,916
Total rentals	181,004	266,916

19 INTEREST EARNED - EXTERNAL INVESTMENTS

Interest earned from bank	794,059	790,808
----------------------------------	----------------	----------------

20 GOVERNMENT GRANTS AND SUBSIDIES

20.1 Transferred to income

Equitable share	27,660,000	24,083,933
MIG Grant	3,318,670	

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		7,888,000
Other Government Grants and Subsidies	3,347,955	2,256,454

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Total Government Grant and Subsidies

34,326,625	34,228,387
-------------------	-------------------

20.2 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 50 units of electricity per month, which is funded from the grant.

20.3 MIG Grant

Balance unspent at beginning of year

-	-
---	---

Current year receipts

11,892,000	7,888,000
------------	-----------

Conditions met - transferred to revenue

(3,318,670)	(7,888,000)
-------------	-------------

Conditions still to be met - remain liabilities (see note 10)

-

8,573,330	-
------------------	---

20.4 The balance represents unutilised but committed capital funds for various project at the end of the financial year. The service providers for the projects were appointed during the year and projects commenced towards end of the year hence billings for the projects had been received as at 30 June 2012.

20.5 Other Government Grants and Subsidies

Balance unspent at beginning of year

1,003,762	-
-----------	---

Current year receipts

4,344,193	3,260,216
-----------	-----------

Conditions met - transferred to revenue

(3,347,955)	(2,256,454)
-------------	-------------

Conditions still to be met - remain liabilities (see note 10)

-

2,000,000	1,003,762
------------------	------------------

The balance represents unutilised fund at the of the year.

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20.6 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21 OTHER INCOME

Building plan fees	320,035	308,443
Cavaran park revenue	128,665	158,644
LG Seta training allowance	62,806	22,175
Clearance fees	66,581	21,781
Other	646,594	1,164,606
	1,224,682	1,675,649

22 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	13,492,083	12,572,075
Employee related costs - Contributions for UIF, pensions and medical aids	2,162,236	1,850,041
Housing benefits and allowances	1,275,259	1,092,957
Overtime payments	333,476	272,297
Performance and other bonuses	761,919	1,161,630
Long-service awards	-	-
Other employee related costs	164,133	172,243

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Employee Related Costs

18,189,105 **17,121,242**

There were no advances to employees.

Remuneration of the Municipal Manager

Annual Remuneration	517,172	-
Back pay	176,015	-
Acting allowance	6,855	-
Travel, motor car, accommodation, subsistence and other allowances	123,351	-
Contributions to UIF, Medical and Pension Funds	45,900	-
Total	869,294	-

Remuneration of the Chief Finance Officer

Annual Remuneration	379,364	352,464
Back pay	75,790	
Acting allowance	-	2,700
Travel, motor car, accommodation, subsistence and other allowances	142,609	120,000
Contributions to UIF, Medical and Pension Funds	60,260	8,506
Total	658,024	483,670

Remuneration of Individual Executive Directors

2012

	Technical Services R	Corporate Services R	Community Services R
Annual Remuneration	314,462	333,928	-
Acting allowance	3,414	-	
Travel, motor car, accommodation, subsistence and other allowances	64,000	96,817	-
Contributions to UIF, Medical and Pension Funds	50,936	57,623	-
Total	432,813	488,367	-

Technical Services
R

Corporate
Services
R

Community
Services
R

2011

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Annual Remuneration	233,215	219,600	208,680
Acting allowance	-	19,516	-
Travel, motor car, accommodation, subsistence and other allowances	-	254,701	-
Contributions to UIF, Medical and Pension Funds	3,698	7,483	20,531
Total	236,913	501,300	229,211

23 REMUNERATION OF COUNCILLORS

Councillors	1,969,277	1,607,931
Councillors' pension and medical aid contributions	200,412	208,625
Councillors' allowances	677,628	713,348
Total Councillors' Remuneration	2,847,317	2,529,904

In-kind Benefits

The Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle as well as a driver for official duties.

24 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	14,785,893	11,576,817
Intangible assets	99,101	20,196
Total Depreciation and Amortisation	14,884,995	11,597,013

25 FINANCE COSTS

Borrowings	405,713	436,187
------------	---------	---------

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Other	37,523	9,314
Total Finance Costs	443,236	445,501

26 BULK PURCHASES

Electricity	6,115,575	5,145,745
Water	143,779	-
Total Bulk Purchases	6,259,354	5,145,745

27 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	553,240	341,940
Admin fees	172,961	30,759
Audit fees	1,720,255	-
Bank charges	144,160	103,358
Cleaning	17,406	12,845
Conferences and delegations	149,796	185,279
Consulting fees	1,113,982	-
Financial management grant	1,859,111	981,143
Fuel and oil	503,825	358,240
Insurance	178,519	180,009
Legal expenses	747,427	865,614
License fees – vehicles	6,086	35,427
License fees – computers	180,454	6,998
Membership fees	118,145	-
Postage	155,172	1,659
Professional fees	996,830	440,059
Rental of office equipment	897,428	671,975
Security costs	7,219	5,416

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Subscription & publication	200,000	104,946
Telephone cost	1,031,898	916,825
Training	52,993	199,875
Travel and subsistence	123,454	246,785
Uniforms & overalls	88,294	49,766
Valuation costs	544,307	-
Water and Sanitation	966,802	279,224
Other	3,363,373	10,064,139
	15,893,137	16,082,282

28 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT

Other financial assets	-	2,284,531
Other financial liabilities	-	(2,117,904)
Total Profit / (Loss) on Fair Value Adjustment	-	166,627

29 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(4,576,022)	(25,578,247)
Adjustment for:-		
Depreciation and amortization	14,884,995	11,597,013
Write offs	-	7,500,068
Contribution to provisions – current	3,993,977	31,043,506
Fair value adjustments	-	166,627
Operating surplus before working capital changes:	14,302,950	24,728,967

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(Increase)/decrease in trade receivables	(12,841,970)	(12,293,891)
Increase/(decrease) in conditional grants and receipts	9,569,568	21,085
Increase/(decrease) in trade payables	4,309,835	(4,249,008)
Increase/(decrease) in VAT payable	(516,619)	(624,024)
Cash generated by/(utilised in) operations	14,823,764	7,583,129

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	27,646,654	16,328,539
Net cash and cash equivalents	27,646,654	16,328,539

31 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

31.1 Property, plant and equipment

Balance previously reported	-	7,173,461
Implementation of GRAP (note 3.1)	-	322,588,700

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Working capital in progress (note 6)	3,911,687
Total	- 333,673,848
31.2 Investment property	- 107,486,712
Balance previously reported	- -
Implementation of GRAP (note 3.1)	- 107,486,712
Total	- 107,486,712
31.3 Accumulated Depreciation	
Balance previously reported -	- -
Implementation of GRAP (note 3.1)	(151,062,460)
Total (debited to Accumulated Surplus/(Deficit)) (see 31.3 below)	- (151,062,460)
31.4 Accumulated Surplus/(Deficit)	
Implementation of GRAP	
Property, Plant and Equipment previously not recorded (see 31.1 above)	- 333,673,848
Investment property	107,486,712
Backlog depreciation (see 31.2 above)	- (151,062,460)
Total	- 290,098,100

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32 PRIOR PERIOD ADJUSTMENTS

Certain prior period adjustments were made (errors corrected) and the effects thereof were as follows:

Statement of financial position

Accumulated surplus/(Deficit)

Opening balance

Other receivable - provision for long outstanding council debts	(935,016)
Other receivable - de-recognition of staff loans that were paid back	(16,741)
Other write off	(33,865)
Other creditors - de-recognition of unsubstantiated creditors	3,880,938
Other receivable - de-recognition of unsubstantiated balance (Hall deposits)	(12,580)
Other receivable - salary suspense write off	(43,930)
Bank balance - opening balance adjustment	<u>384,037</u>
	<u>3,222,844</u>
Cash and cash equivalents	
Cash and cash equivalents- de-recognition of unsubstantiated petty cash balance	<u>(10,346)</u>
Other current financial assets	
Other receivable - provision for long outstanding council debts	<u>(935,016)</u>
Property, plant and equipment	
Landfill site	<u>998,037</u>

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Provisions

Landfill site provision (998,037)

Statement of financial performance

Cash and cash equivalents- de-recognition of unsubstantiated petty cash balance (10,346)

VAT receivable - de-recognition of unsubstantiated balance (7,500,068)

Other creditors - previously not accrued (214,552)

Salary suspense write off (43,930)

(7,768,895)

33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

33.1 Unauthorised expenditure

-
Reconciliation of unauthorised expenditure

Opening balance	1,459,362	7,079,000
Expenditure not budgeted for	-	-
Approved by Council or condoned	-	-
Expenditure exceeded budget	-	625,362
Transfer to receivables for recovery	-	-
Expenditure not recoverable - written off	-	(6,245,000)
Unauthorised expenditure awaiting authorisation	<u>1,459,362</u>	

1,459,362

33.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -		5,424,102	4,979,394
Penalties and interest		74,937	194,391
Damages paid due to negligence - court order		482,968	500,000
Payments in respect of lease contract not cancelled	-	38,315	49,027
Telephone costs in excess of contract amounts	-	-	40,315
Expenditure not recoverable - written off	-	-	(339,025)
Fruitless and wasteful expenditure awaiting condonement		6,020,322	5,424,102

33.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance		111,527,720	108,921,254
Irregular expenditure current year		2,052,925	8,595,939
Condoned or written off by Council		-	(5,989,473)
Transfer to receivables for recovery – not condoned		-	-
Irregular expenditure awaiting condonement		113,580,645	111,527,720

Goods not procured in terms of the Supply Chain No disciplinary action taken 1,860,917

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Opening balance	-	143,346
Current year payroll deductions	2,670,542	2,202,575
Amount paid - current year	(2,486,939)	(2,345,921)
Amount paid - previous years		
Balance unpaid (included in payables)	183,603	-

The balance represents PAYE and UIF deducted from the June 2012 payroll. These amounts were paid during July 2012

34.5 Pension and Medical Aid Deductions

Opening balance	-	132,324
Current year payroll deductions and Council Contributions	2,548,330	4,056,598
Amount paid - current year	(2,325,947)	(4,188,922)
Amount paid - previous years		
Balance unpaid (included in payables)	222,383	-

The balance represents pension and medical aid contributions deducted from employees in the June 2012 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

34.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

as at 30 June 2012

Councillor: Gavumente- Ndabambi Luleka

Total	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R
2,939	290	2,648

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Councillor: Labuschange Jacob Coenraadx
Total Councillor Arrear Consumer Accounts

26,100	2,028	24,072
29,039	2,319	26,720

as at 30 June 2011
 NONE

-	-	-
-	-	-

Total Councillor Arrear Consumer Accounts

-	-	-
---	---	---

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

as at 30 June 2012

Councillor: Gavumente- Ndabambi Luleka
 Councillor: Labuschange Jacob Coenraadx

Highest Amount Outstanding R	Ageing Days
------------------------------	-------------

2,939	365 days
26,100	365 days

as at 30 June 2011
 NONE

-	-
---	---

34.7 Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has a supply chain management policy in place.

35 CAPITAL COMMITMENTS

35.1 Commitments in respect of capital expenditure

- Approved and contracted for

13,730,583	-
Infrastructure	10,907,586
Community	1,269,883
	-
	-

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Other	1,553,114	-
- Approved but not yet contracted for	19,427,000	16,419,320
Infrastructure	14,927,000	13,450,000
Community	4,300,000	2,797,758
Other	200,000	171,562
Total	33,157,583	16,419,320

This expenditure will be financed from:

- Government Grants	32,183,583	16,419,320
- Own resources	974,000	-
	33,157,583	16,419,320

36 OPERATING LEASES- AS LESSEE (EXPENSE)

Minimum lease payments due within one year	358,616	223,937
in second to fifth year inclusive	388,398	131,818
	747,014	355,755

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 3-5 years. No contingent rent is payable

37 CONTINGENCIES

37.1 Contingent liabilities

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The following contingent liabilities were noted at the financial year end:

Legal costs

370,000 **101,873**

37.2 The contingent legal costs relates to the following cases:

Third party

Mr N M Mkohlakali

Mr R F Butler

Mr X Nkathazo; Mr M Phangindawo; Mr D B Gwabeni and Ms N Sopotela

Ms NS Nose-Nemutandani

Ms M Siko; Mr J J F Vermeulen; Ms S Ncoko; and Mr N Dokwana

Great kei delegation

East Coast Ratepayers and Residents Forum

Total contingent claims

Nature of dispute

Labour dispute

Labour dispute

Investigations and hearing

Arbitration

Labour dispute

Review

Proposed agreement

100,000

30,000

100,000

30,000

50,000

30,000

30,000

370,000

-

-

-

-

-

-

-

37.3 The contingent fees are an estimate of legal costs that might be paid on the above listed cases. The costs will depend on the amount of time the lawyer will spend on each case and the amount disclosed have been based most possible time.

37.4 Contingent assets

The municipality had no confirmed contingent assets at the end of the year.

38 RELATED PARTIES

38.1 The municipal had the following related parties:

Related party

C M Mbekela

P Gwana

D M Mbizeni

Nature of relationship

Municipal Manager

Chief Financial Officer

Strategic services – Director

Status at year end

Resigned

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M N Mkhohlakali

Corporate services- Director Resigned

M Augustine

Acting Corporate services –
Director Resigned

Thuga Trading CC

Director is a ward committee member

Lange catering

Director - employed by EC Dept Educ

Mzantsi Facilitators

Director - employed by EC Dept Educ

Zezethu Engineers

Director - employed by EC Dept Agric

Siyakhola Trading

Director is spouse of employee

Siyakheka Trading

Director is spouse of employee

38.2 Related party transactions

Thuga Trading CC

R

17,100

Lange catering

38,750

Mzantsi Facilitators

388,080

Zezethu Engineers

21,143

Siyakhola Trading

13,864

Siyakheka Trading

2,800

481,737

Refer to note 22 for analysis of remuneration paid to section 57 managers listed above.

39 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment

Recoverable amounts of property, plant and equipment

Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)

Present value of defined benefit obligation

Fair value of plan assets

Provision for doubtful debts

Impairment of assets

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Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provisions
Other

40 RISK MANAGEMENT

40.1 Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Not later than one month	Later than one month and not later than three months
2012		
Borrowings	23,291	46,582
Trade and other payables	8,385,137	-

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Other	13,686,802	-	
	Later than three months and not later than one year	Later than one year and not later than five years	
2012			
Borrowings	223,541	1,632,574	
Trade and other payables	-	-	
Other	-	-	
	Not later than one month	Later than one month and not later than three months	
2011			
Borrowings	20,221	40,442	
Trade and other payables	4,075,303	-	
Other	4,598,501	-	
	Later than three months and not later than one year	Later than one year and not later than five years	
2011			
Borrowings	196,385	1,436,524	
Trade and other payables	-	-	
Other	-	-	

40.2 Interest rate risk

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As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

	2012 R	2,011 R
- Call deposits	24,052,912	13,975,698
- Development Bank of South Africa loan	2,946,106	3,203,017

40.3 Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the council. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument

Bank balances and short-term deposits

16,328,539

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Trade and other receivables

27,646,654
6,983,579 1,949,209

40.4 Foreign currency risk

The municipality does not undertake any transactions in foreign currencies and as a result is not exposure to foreign currency risk.

41 MATERIAL LOSSES

The municipality made material loss of 28% on its electricity bulk purchases.

	KWH	R
Bulk purchases	8,465,992	6,115,575
Sales	6,097,063	4,404,333
Loss	2,368,929	1,711,242

The comparative loss details for the prior year not available.

42 RECONCILIATION OF BUDGET DEFICIT WITH STATEMENT OF FINANCIAL PERFORMANCE DEFICIT

Net Deficit Per Statement Of Financial Performance	(6,611,896)
Adjusted For:	
Fair Value Adjustments	-
Impairments Recognised/Reversed	3,993,977
Depreciation	16,122,291
Capital expenditure	(3,130,000)
Amount not budgeted for	<u>(10,663,744)</u>

Net Deficit Per Approved Budget

(289,372)

1.2 Budget to actual comparison

The Summary Statement of Financial Performance details the revenue by source, type and expenditure per vote. The summary report indicates the following:

SUMMARY STATEMENT OF FANANCIAL PERFORMANCE AS AT 30 JUNE 2012				
Description	Budget 2011/12	June YTD Budget	June YTD Actual	Full year Forecast
Total Revenue By Source (Excluding Capital Transfers)	59 551 339	59 551 339	56 043 573	59 551 339
Total Operating Expenditure	(59 507 368)	(59 507 368)	(63 938 065)	(59 507 368)
SURPLUS/(DEFICIT)	43 971	43 971	(7 894 492)	43 971

4.2.1 Financial Performance

4.2.1.1 Rates and Taxes

The original Budget amount was R8m

The actual collections as compared to the projected collection of the 12 months period reflected that the municipality has under-collected by an amount of R3, 8m.

Debt and credit policy is implemented to assist in improving the slow collection rate and also the Municipality has appointed debt collectors in order to assist the Municipality in collecting arrear debtors.

4.2.1.2 Refuse

The original Budget amount was R4, 168, 508. The actual collections as compared to the projected collection of the 12 months period reflected that the municipality has under-collected by an amount of 3,2m.

4.1.2.3 Interest on investment

Amount received for interest on investment is R794 045,

4.1.2.4 Licences and Permits

Amount received from Licenses and Permits amounted to R1, 995, 073.

4.1.2.5 Grants

All the grants have been received in full except for the R731, 000 which is grant from DERSRAC.

4.2 Year to Date Budget vs Year to Date Actual (Expenditure)

Total operating expenditure indicates that approximately **107%%** of the budgeted operating expenditure has been spent by the year end.

The Municipality has budgeted **R59, 5m** as total operating expenditure and by the end **R63, 9m** has been spent.

The huge overspending is due to provision for depreciation at R14,8m and bad debts at R3,9m, the Municipality had not provided for these items in its budget.

Employee related costs were budgeted for at R27,1m and by the year end R18,1m has been spent.

The reason for under spending is that budgeted positions were not filled by the year end. The municipality has a plan in place to speed up recruitment processes. Councillor's allowances were budgeted for at R4m which was not realized by the year end, only R3M was spent.

Loan repayments to DBSA amounted to 662,619. Total budgeted for loan repayment is R696 000, the loan is payable quarterly at a fixed rate of R165 00.

Bulk electricity purchases were budgeted for at R6m and to date R6,2m has been spent. The 4.5m was the original budget, which was anticipated to cover bulk electricity costs for the full year but an additional R1.5m was provided for in adjustment budget after an assessment was made which reflected that the balance was insufficient to cover costs of electricity up to and including 30 June 2012.

Municipality has only spent 49% on repairs and maintenance and this reflects under spending. Of the R2.9m budgeted for repairs and maintenance, only R1,2m has been spent to date. Most of creditors under trade creditors consist of creditors for repairs and payments which will only be paid in July and August 2012.

4.2.2 Creditors

The Municipality's creditors book was at R5m, and the major creditors are Eskom at R754 144 and Auditor General at R1,3m. The Municipality trying to pay all its creditors within 30 days to comply with MFMA.

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4.2.3 Capital Expenditure

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AS AT 30 JUNE 2012				
Description	Budget 2011/12	June YTD Budget	June YTD Actual	Full year Forecast
Total Capital Expenditure	18 912 000	18 912 000	3 095 287	18 912 000

The budgeted amount of R18 912 000 includes R11 892 000 which is the MIG allocation for the year 2011/12.

As at 30th June 2012 only R3 095 287 has been spent on all capital projects including those that are funded internally.

This translates to only 12.4% of the overall capital budget spent to date. The portion of MIG funds not spent has been committed and a letter for Rollover has been submitted to National Treasury.

4.3.4 Cash management

Cash at bank

By the year end the Municipality is covering its costs without the assistance of external funding i.e. at present there are no intentions of taking external loans. The Municipality has a favourable bank balance of R1, 539, 498.67. Bank reconciliations are done on a monthly basis as a requirement for control purposes.

4.3.5 Investments

Municipality keeps investment register which consist of the short term investments from Standard bank and ABSA. Total balance to date including interest of R794 045 amounts to R23 420 240. Interest ranges from R20 000 per month but there was a huge increase in interest by R384 000 in August when the first share of Equitable share was transferred.

4.3.6 Borrowings

The Municipality has secured only one long term loan from DBSA which is payable quarterly at a fixed rate of R165 000.

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4.3.7 Outstanding debtors

JUNE	5 638 522	1 452 828	1 408 186			37 890 897
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Total outstanding debtors at 30 June 2011 amounted R37m, total debtors outstanding at 30 June 2012 amounted to R46m, this shows an increase in outstanding debtors by R10m and this is due to the fact that the Supplementary Valuation Roll was integrated on to the financial thus increasing the number of debtors in the system. The provision of R39,5m was taken into account to reduce the figure to R6,8m.

4.3.8 Debt Collection Rate (All Municipal Services)

MONTH	SERVICE BILLED	ACTUAL BILLED	ACTUAL RECEIVED	VARIANCE	% PAYMENT LEVEL
July 2011 – June 2012	RATES	12 354 976	3 837 328	8 517 648	31%
July 2011 – June 2012	REFUSE	6 975 814	3 249 545	4 223 542	46%
July 2011 – June 2012	ELECTRICITY	6 650 905	422 651	5 743 542	6%
Total all services		25 981 695	7 509 524	18 484 732	29%

The overall total collection for all services to date is 29%. The Municipality is not doing well despite implementing its debt and credit policy. Debt collectors have been appointed to assist the Municipality in improving its collection rate, but do date this project has not been started.

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4.4 Grants and transfers' spending

Grant details												
Project name	Donor name	BF amount	1/07/ to 30/09		01/10 to 31/12		01/01 to 31/03		01/04 to 30/06		Total	
			Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Rec. Spent
MSIG	National Treasury			R979 487	R790 000	R146 198				R399 000	R790 000	R1 524 686
FMG	National Treasury	R355 606	R1 500 000	R521 388		R1 059 847		R32 500		R326 005	R1 500 000	R1 939 739
MIG	National Treasury		R2 488 000	R802 963	R3 732 000	R1 526 865	R5 672 000	R594 037		R394 752	R11 892 000	R3 318 670
INEG	National Treasury		R1 500 000				500 000				R2 000 000	R0

4.5 Meeting of Donors' requirements in respect of conditional grants

Full amount of FMG and MSIG have be spent, the two grants that were not fully utilised were INEG and MIG. The funds for both these grants are fully committed. The conditions for all the grants have been met.

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4.6 Long term contracts entered into by the municipality

FINANCIAL YEAR ENDED 30 JUNE 2012

Location of Asset/ Office/ Department	Lessor	Description	Serial Number	Contract date	EXPIRY DATE	Within 1year	Within 2 to 5yrs	Total
Municipal Manager	Nashua East London	SPC430DN	S9309102220	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
	Nashua East London	MP2000	L7097060849	01/06/2010	31/05/2013	21,945.00		21,945.00
		SPC430DN	S9309300841	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
Finance	Nashua East London	MP4000	M5593600308	01/08/2011	31/07/2014	81,122.40	87,882.60	169,005.00
	Nashua East London	SPC430DN	S9309302156	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
Council Support	Nashua East London	MP7001	V7012600033	01/08/2011	31/07/2014	8,225.10	106,926.30	115,151.40
Registry	Nashua East London	MP2000	L7016260269	01/06/2011	31/05/2014	23,940.00	21,945.00	45,885.00
Human Resources	Nashua East London	SPC430DN	S9309300834	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
		MP2000	L7016260576	01/08/2011	31/07/2014	19,152.00	20,748.00	39,900.00
LED	Nashua East London	SPC430DN	S9309301885	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
	Nashua East London	MP2000	L7006861266	01/08/2011	31/07/2014	19,152.00	20,748.00	39,900.00
Technical Services	Nashua East London	SPC430DN	S9309302544	01/08/2011	31/07/2014	3,420.00	3,705.00	7,125.00
	Nashua East London	MP2000	L7086760848	16/04/2009	31/03/2014	15,800.40	11,850.30	27,650.70

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Chintsa	Nashua East London	HP LASERJET	CNC9C1TB99	01/08/2011	31/07/2014	2,257.20	2,445.30	4,702.50
Kei Mouth	Nashua East London	MP2000	L7016360497	01/08/2011	31/07/2014	23,940.00	25,935.00	49,875.00
Infrastructure	Nashua East London	MP201SPF	W3018503424	01/06/2011	31/05/2016	5,198.40	15,162.00	20,360.40
Councillors Office	Nashua East London	MP2000	L7006862692	01/08/2011	31/07/2014	19,152.00	20,748.00	39,900.00
Traffic Services	Nashua East London	MP2000	L7097061360	01/06/2010	31/05/2013	21,945.00		21,945.00
TOTAL						282,349.50	356,620.50	638,970.00

5 4.7 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	19 533 816	3 18 610	15%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	30 562 195.00	61 117 937.00	50%
		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	5 080 655.00	69 682 568.38	7.29%
		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	28 321 733	16 063 148	56%
		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	25 981 695	7 509 524	29%
6	Percentage of MIG budget appropriately spent	R11 892 000	R3 318 670	27%
7	Percentage of MSIG budget appropriately spent	R790 000	R1 524 685	192%

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4.8 The Audit committee functionality

ANNUAL REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE FOR THE 2011/12 FINANCIAL YEAR AS AT 09 JANUARY 2013.

1. Background

The Great Kei Municipality has an Audit Committee as prescribed by the Municipal Finance Management Act, Chapter 14, Section 166(1), that serves the purpose of being an independent advisory body to the Council, Political Office Bearers, Accounting Officer, Management and Staff, thereby assisting Council in its oversight role. The role, functions and authority of the Audit Committee are prescribed in terms of Section 166(2) of the Act.

Furthermore; Section 121(3) (j) of the MFMA requires the annual report to include any recommendations of the Audit Committee.

2. Membership of the Audit Committee

The MFMA (S 166(4)(a)) stipulates that the Audit Committee should be constituted by at least three persons with appropriate experience.

The audit committee of Great Kei Municipality consists of three independent members, with experience in the field of Auditing, Local Government and Law. They are:-

- Mr. G. Bana (Chairperson)
- Mr. L. Galada
- Mr. M. Mrasi

3. Meetings

The Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003), S 166(4)(b), also requires that the Audit Committee meet at least four times a year. During the financial year under review, five meetings were held on the following dates:-

- 13 December 2011
- 24 January 2012
- 22 February 2012
- 22 May 2012
- 21 June 2012

Five (05) meetings were held in 2011/2012 financial year and the attendance by Audit Committee Members was as follows:

Name of Member	Position	Number of meetings held	Number of meetings attended	Percentage of attendance
G. Bana	Chairperson	5	5	100
L. Galada	Committee member	5	5	100
M. Mrasi	Committee member	5	5	100

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In all the audit committee meetings there is a standing invitation to the following:-

- Office of the Auditor General
- Internal Audit
- Departmental Heads and Municipal Manager
- Operation Clean Audit
- Amathole District Municipality
- Chairperson of the MPAC

Name of representative	Qualifications	Terms of reference of committee
MR.G.BAVA	B TECH Internal Audit part 1 and 2 CIA	YES (Signed)
MR .L.GALADA	B TECH Internal Audit part 1 and 2 CIA	
MR.M.MRASI	B Com majoring in accounting and auditing	

4.8.1 Audit Committee Responsibility

The Committee performed its duties according to its terms of reference as provided in the Internal Audit Charter which stipulates amongst other issues the following:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, review significant financial reporting judgements;
- To review the reliability and effectiveness of the financial and internal control systems of the municipality.
- To monitor the effectiveness of the internal audit function and review its material findings.

The Committee has no executive function and its primary objective is to review and advise rather than assume responsibility.

Section 166. (1) Each municipality and each municipal entity must have an audit committee, subject to subsection (6).

(2) An audit committee is an independent advisory body which must—

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to—(i) internal financial control and internal audits; (ii) risk management; (iii) accounting policies; (iv) the adequacy, reliability and accuracy of financial reporting and information; (v) performance management; (vi) effective governance; (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; (viii) performance evaluation; and (ix) any other issues referred to it by the municipality or municipal entity;

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; (c) respond to the council on any issues raised by the Auditor-General in the audit report; (d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and (e) perform such other functions as may be prescribed.

The Audit Committee has not received the Auditor General's Audit Report and therefore is unable to comment further on the Annual Report of the Municipality and fulfill its responsibilities in terms of the MFMA, Act no. 56 of 2003

G. Bana

Chair: Audit and Performance Committee

4.9 Internal Audit Unit

Great Kei Local Municipality has established an internal audit function in terms of section 165 (1) of the Municipal Finance Management Act no 56 of 2003 ("MFMA").

The internal audit function of the Municipality is an independent, objective assurance and consulting activity designed to add value and improve the Municipality's operations. The function of internal audit of the municipality is outsourced to an independent firm of Chartered Accountants. The internal auditors have dual reporting line to the Audit Committee and the Municipal Manager. The internal audit function operated in line with the approved annual planner. Internal audit managed to carry out Planned audits and special requests from management.

The firm the provides internal audit services to the municipality also had another team providing financial reporting assistant and as a result external auditors could not rely on their work raising independence issues.

4.9.2 The specific objectives of internal audit are to:

- Provide an independent appraisal function to examine and evaluate the Municipality's activities as a value added service.
- Review the adequacy and effectiveness of systems of control, governance and risk management.
- Assist members of the Municipality in the effective discharge of their duties and responsibilities via its reviews, reporting and recommendations.
- Provide analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.
- Promote effective control at reasonable cost.

Below are the functions of the Internal Audit Unit that were performed during the financial year under review:

- Income and Debtors
- Budget control
- Fixed assets
- General computer controls
- Human resources
- Integrated Development Planning
- Treasury
- Spatial and infrastructure planning
- Follow up on external audit findings of prior year

4.9.3 Financial Statements review

The Committee reviewed the financial statements before submission to the auditor general and management were encouraged to submit the financial statements earlier for next reviews.

4.9.4 Effectiveness of Internal Controls

From the internal audit reports represented to the Committee and external audit reports the municipality's systems of internal controls were weak and needed improvements. The Committee will continue to monitor the implementation of the recommended controls to be put place in the various components of the Municipality's financial record

4.9.5 Anti- Corruption strategy

The Municipality had not anti-corruption policy in place during the financial year ended 30 June 2012, however a policy document on corruption is currently being drafted and will be presented to council during the course of 2012/13 financial year for adoption and approval.

4.10 AUDITOR GENERAL REPORT

It is important to note the audit opinion of the municipality for the last three years as follows:

Financial Year	Audit Opinion
2009/2010	Disclaimer
2010/2011	Disclaimer
2011/2012	Not yet finalized

Annexure A is attached as 2011/2012 financial year Audit report, however it is important to note that there is still a dispute between Office of the Auditor General and Great Kei Municipality as detailed in the attached letter.









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

5.1 Overview of the Executive and Council functions and achievements;






Great Kei Municipal Council is a Plenary Type Municipal Council wherein all its decisions are taken by Council. The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Mayor

Up until May 2011, the Council comprises of only 13 elected Councillors, some come from Proportional Representation (PR). There are portfolio head councillors

The party and gender representation in the Council is represented by the table below:

Name of councillor	Capacity	Gender	Political Party	Ward/ PR
NGENISILE WELLINGTON TEKILE	SPEAKER/MAYOR	MALE		3
NOLIZO MOLI	CHIEF WHIP	FEMALE		1
LONWABO LENNOX BANGANI	Ward councillor	MALE		1
MOYISILE MZAMO	Ward councillor	MALE		2
MLULEKI TEMPLETON MALI	Ward councillor	MALE		3
NKOSINATHI VEREZAR MEVANA	Ward councillor	FEMALE		4
NTOMBIZANELE PRINCESS MGEMA	Ward councillor	FEMALE		5
NOSIPHO NGABAYENA	Ward councillor	FEMALE		6

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LULEKA NDABAMBI GAVUMENTE	Ward councillor	FEMALE		7
NOMONDE NOLUTHANDO DYANI	PR	FEMALE		3
WELILE NDORO	PR	MALE		4
SHARNE MURIEL JACOBS	PR	FEMALE		6
JACOB COENRAAD	PR	MALE		6

The municipality has established Section 79 Committees in the form of 7 Standing Committees namely: Public Participation & Social Needs Committee, ICT, Finance & Risk Management, Corporate Services, Infrastructure & Community Services, IDP/ LED & Strategic Services, Municipal Public Accounts Committee and the Audit Committee. All these committees have functioned relatively well, they have set as per the Annual Council Schedule, their resolutions or recommendations have been escalated to Council for consideration.

5.2 Public participation and consultation;

- 2 X Mayoral Imbizos were held in 2011/2012 financial year and the issues raised by community members were included in the Municipality's IDP.
- No Public hearings held in the financial year 2011/2012 financial year.
- IDP Road Shows were also held to solicit ward community needs and the needs were included in the municipality's Integrated Development Plan.

5.3 Ward committees' establishment and functionality

The Municipality has an approved policy on the Establishment and Functionality of Ward Committees, Public Participation and Petitions Policy.

- All the 70 Ward Committees have been elected in all 7 Great Kei Municipal Wards, in electing Ward Committees Great Kei Council resolved on an election criterion which stated that there will be elected Voting District Representation, Stakeholder/ Sector representation. All the 70 elected Ward Committees with all the prescribed election adopted by Council.

4.2.4 AVAILABILITY OF MINUTES OF WARD MEETINGS & ATTENDANCE TO COUNCIL MEETINGS;

- There have been some challenges with some Ward Committees in holding their Ward Committee meetings, this is due to the fact that these Ward Committees do not have their yearly schedule for their monthly meetings and programmes, and some are sitting but their sittings are not recorded in the form of minutes and attendance register.
- Attendance to Council activities and to Council Meetings is relatively good.

4.2.5 Written proof of tabling resolutions to Councils;

- Availability of minutes of feedback meetings with communities;
- Availability of Ward committee activity reports;

5.4 Community Development workers performance monitoring

Great Kei Municipality has 6 Community Development Workers and these are in Ward 2 [2 CDW's due to the delimitation of Municipal Wards and the second CDW have been deployed to assist in Ward 1], Ward 3, Ward 4, Ward 6 and Ward 7, currently there are only two Wards which do not Community Development Workers.

5.4.1 AVAILABILITY OF CDW MONTHLY REPORTS;

- All the six [6] CDW are participating in GKM activities like IDP/ Budget processes, attend Council Meetings and other Local Municipality and District Municipality activities.
- After the signing of the Memorandum of Understanding between the GKM Mayor and the Department of Local Government & Traditional Affairs and the appointment of a Public Participation Officer there has been some improvement in reporting and communication.

5.4.2 NUMBER OF CASES IDENTIFIED AND REPORTED BY CDWS;

a) Social Cluster

- 6 Foster Care grants
- 2 old Age grants
- 6 Child Support grants
- Social relief of Distress
- Identified 50 households for social relief of distress in the form of Food parcels and submitted the list to SASSA
- 3 households which were victims of fire incidences referred to Social Development for Social Relief
- ADM Disaster management Office conducted assessment on those 3 households and provided relief in the form of clothing

- CDW deployed in the ward (Ward 1) also sought assistance of clothing and bedding from the communities of Mooiplaas and Kwelerha as well as Edgars Stores which they responded by donating clothing staff, and together with the Great Kei Women's Caucus delivered food parcels, blankets and clothing staff from the NYDA and those donated by individuals to the same households
- CDW deployed in Ward 7 identified 17 learners from different schools in the ward for school uniforms to be donated by St. Anglican Church

b) Home Affairs Cluster

- CDWs conduct assessment of the need in the ward and secure dates in the home Affairs Itinerary
- 63 new ID applications done in various wards of the Great Kei Municipality mostly High School learners
- 60 deliveries of ID documents made in various wards
- 9 birth Certificate Reprints made
- 3 Birth Certificate Deliveries
- 4 New birth certificates applications
- 2 Rectification of date of birth
- The CDW deployed in Ward 3 assisted a couple whereby the wife was registered as the daughter of the husband in rectification of status and assisted the couple in getting civil marriage

c) Economic Cluster

- CDW deployed in Ward 2 assisted an Agricultural project with writing a petition to the MEC for Agriculture in dealing with the hike in ploughing tariffs which they claim to have never been contacted when they were increased
- CDW also assisted the same project group with writing a letter to request a storage container and with completion of application forms to join African Farmers Association of South Africa (AFFASA)
- The CDW also secured an appointment date for the Project Group to meet with the Speaker mayor of Great Kei Municipality

d) Investment Cluster

- CDW deployed in Ward 1 distributed Bursary Application Forms to Restless Development Youth Centre (NGO)
- 39 applications submitted for Social Development Learnership program

e) Governance and Administration Cluster

- CDWs assisted with the completion of 48 application forms for the indigent support
- Great Kei Municipal roads are being bladed
- Internal Streets of Jongilanga & Tuba in Ward 1 are being upgraded
- 1 Community Hall is under renovation
- Phumelela Day Care Centre is in the process of being built at Zozo.

5.5 INTERGOVERNMENTAL RELATIONS

- Relations with Sector Departments are good
- There is still a challenge with relations between CDW's, Ward Committees and Councillors, however there is a planned meeting between the Department of Local Government and traditional Affairs and GKLM that seeks to deal with all the challenges experienced in 2011/2012 financial year.
- IDP Steering Committees and Budget Steering Committees and IDP representative forums have been established where stakeholders such as government departments, CDW's, Mayor/Speaker, Councillors, Ward Committees participate from planning, implementation and monitoring.

5.6 AREAS OF INTERVENTION

- Speedy intervention is needed with the relocation of the Great Kei SASSA Service Point from Komga to Amahlathi Municipality which will disadvantage more especially people from Kwelerha, Mooiplaas, Kei Mouth, Morgans Bay, Chintsa East and Komga, consultation has never been done with the people to get their views on the relocation of this Service Point.
- Relations building workshop between the Ward Councillors, Ward Committees and CDW's is needed.
- Know Your CDW and Ward Committee Campaign Workshops needed for the communities after the delimitation of Ward Boundaries.
- The Municipality has invited the Department of Local Government to come to explain the M.O.U. And clarify the role of the municipality and that of the department.

HIGHLIGHTS

- CDWs from the Great Kei Municipality collected money from donations and from their own pockets to make the Nelson Mandela Day for the Mahlambeni Family in Cefane Village in Ward 3.

- The CDW deployed in the ward having identified the family through the door to door work engaged colleagues for fund raising and the response was that on the 18th July 2012 we managed to deliver groceries to the family.

5.7 Communication strategy

Great Kei Local Municipality does not have an approved Communication Strategy; however a budget has been set aside for the financial year 2012/2013 to develop an Institutional Communication Strategy. The Strategy is expected to have an action plan to detail the resources and the infrastructure required for its implementation. The function is thus performed within the Municipal Manager's office.

5.8 Legal matters

5.8.1 Setting up of Legal Units

The Legal Services of the municipality have been outsourced to a Service Provider. It is the intention of the municipality to appoint Legal Advisor in 2012/2013. Litigation Matters are referred to the Service Provider.

5.8.2 Management of Legal Risks

Fraud Prevention Policy has been adopted by Council and its main objective is to facilitate the development of controls which will aid in the detection and prevention of fraud against GKLM. It is the intent of GKLM to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

PART 3- FUNCTIONAL AREAS

REPORTING AND ANNEXURE

A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

1. General information (population statistics)

The population statistics indicate that the Eastern Cape provincial population grew slowly by a mere 0.72 percent per year between 2001 and 2009. During both 2008 and 2009 the province suffered a net outflow of emigrants. These patterns vary throughout the province, with some areas losing more than others, while there are cities and towns that are experiencing an inflow of people.

2.2.1 POPULATION

A recent Social Economic Profile of the Amathole District Municipality has recorded a small but significant increase in the Total population in Great Kei. Table 1: below:

COD E	MUNICIPALITY	96	97	98	99	2000	01	02	03	04	05	06	07
EC 123	Great Kei Municipality	40 802	41 700	42 613	43 555	44 521	45 509	46 477	47 397	48 271	49 117	49 940	50 739

Source: HIS Global Insight Regional eXplore 588 (2.4d)

Table 2: Population by Sex

Age	White		Black African		Coloured		Indian/Asian		Total
	M	F	M	F	M	F	M	F	
0-19	297	274	10,036	9,716	95	99	0	0	20,517
20-34	203	195	4,249	4,733	61	52	3	0	9,496
35-49	252	302	2,516	3,523	36	45	0	0	6,674
50-64	358	378	1,394	2,207	27	28	0	0	4,404
65 +	251	257	1,077	1,776	11	6	0	0	3,378

Source: Statistics SA (2001)

2. Finance and Administration function's performance

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ADMINISTRATIVE GOVERNANCE STRUCTURES

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the Management Team, whose structure is outlined in the organ gram below.

Name of sec 56 Official	Department	Performance agreement signed (Yes/No)
CHRIS MBEKELA	MUNICIPAL MANAGER'S OFFICE	YES
PULENG NGWANA	FINANCE	YES
VACANT	CORPORATE SERVICES	N/A
VAN DALEN	TECHNICAL SERVICES	YES
Vacant	Strategic services	N/A
Other Managers who are not Sec 56)		
<ul style="list-style-type: none"> • Bathini Douglas • Pumza Dumalisile • Mzukisi Cekiso • Zelic Mbulawa • Holmes Suzan • Noxolo Mbokoma • Philasande Dotyeni • Mapasa • Zonwabele Plata 	CORPORATE SERVICES CORPORATE SERVICES STRATEGIC SERVICES STRATEGIC SERVICES TECHNICAL SERVICES MUNICIPAL MANAGER'S OFFICE MUNICIPAL MANAGER'S OFFICE TECHNICAL SERVICES COMMUNITY SERVICES	

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Other technical committees

Name of committee: IDP Steering Committee

Name of representative	Capacity	Terms of reference of committee	Meeting dates
C.M.MBEKELA	MUNICIPAL MANAGER	Process Plan adopted by Council on 28 th August 2012	15/10/2010 16/11/2010 04/12/2010 11/02/2011
F.VAN DALEN	DIRECTOR:TECHNICAL		
VACANT	DIRECTOR : CORPORATE		
P.GWANA	CFO		
M.CEKISO	IDP/PMS MANAGER		
MAPASA	INFRASTRUCTURE MANAGER:		
HOLMES	PROJECT MANAGER		

Name of committee: BUDGET STEERING COMMITTEE

Name of representative	Capacity/ entity representing	Terms of reference of committee	Meeting dates
Clr N.W.TEKILE	Speaker/Mayor	1. FINANCIAL TURN AROUND PLAN and AUDIT ACTION PLAN DISCUSSED TO BE ADOPTED BY COUNCIL IN MARCH 2013.	N/A
Clr. Moli	Chief Whip		
Mr.C.M.Mbekela	Municipal Manager		
Mrs.P.Gwana	CFO		
Mr. M.Cekiso	IDP/PMS Manager		
Mr M. Mapasa	Manager		
Mr.F.Van Dalen	Director		
Ms.N.Sana	Budget Officer		

PERFORMANCE MANAGEMENT REPORTING 2011- 2012 ANNUAL REPORT

This report presents 2011/12 annual performance for Great Kei Municipality. The report includes in the report are gaps noted on the on the compilation of the SDBIP and control weaknesses within the performance management processes as per the scope letter and agreed project plan. We have included our recommendations to improve the performance management systems, practices, procedures, monitoring and evaluation processes.

The need for the establishment, monitoring and evaluation of a performance management system is in line with requirements for municipalities to comply with the Municipal Systems Act No. 32 of 2000 and other legislation governing Performance Management in Local Government.

Section 38 of the Municipal Systems Act requires that:

A municipality must—

- (a) establish a performance management system that is—
 - (i) commensurate with its resources;
 - (ii) best suited to its circumstances; and
 - (iii) in line with the priorities, objectives. indicators and targets contained in its integrated development plan;
- (b) promote a culture of performance management among its political structures, political office bearers and councillors and in its administration, and;
- (c) administer its affairs in an economical, effective, efficient and accountable manner.

Section 40 of the Municipal Systems Act requires that:

A municipality must establish mechanisms to monitor and review its performance management system.

The Service Delivery and Budget Implementation Plan (SDBIP) is an important management and implementation tool which must be developed in terms of the Municipal Finance Management Act. It serves as a contract between the administration, council and the community and giving expression to the goals and objectives of the Integrated Development Plan.

A credible higher SDBIP comprises of monthly projections of revenue, monthly projections of expenditure, quarterly projections of service delivery targets, Ward information for expenditure and detailed capital works plan.

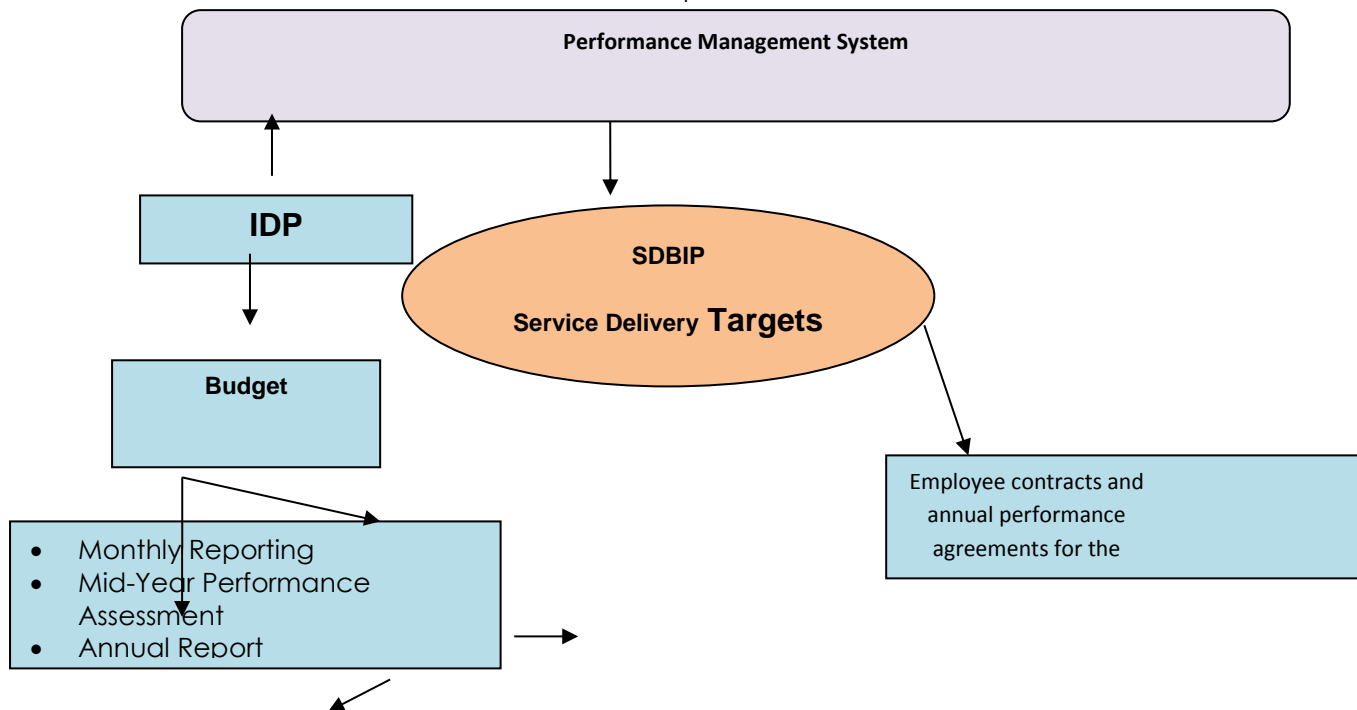
Great Kei Municipality has five departments namely the Office of the Municipal Manager, Corporate Services, Technical Services, Strategic Services and the Budget and Treasury Office,

GKM'S KEY PERFORMANCE AREAS

- **SO 1:** Municipal Transformation and Organizational Development
- **SO 2:** Basic Service Delivery and Infrastructure
- **SO 3:** Local Economic Development
- **SO 4:** Municipal Financial Viability

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- **SO 5: Good Governance and Public Participation**



KPA 1: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Priority Area	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
Chief Financial Officer	2	2	0	0	0	0	100%	☐
Community Services	1	0	0	0	0	1	0%	☐
Corporate Services	11	8	0	1	0	2	73%	☐
Strategic Services	1	0	0	0	0	1	25%	☐
TOTAL	15	10	0	1	0	4	73%	☐

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KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

Priority Area	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
Community Services	13	6	1	0	1	5	50%	☐
Infrastructure	6	0	2	0	0	4	33%	☐
TOTAL	19	6	3	0	1	9	45%	☐

KPA 3: LOCAL ECONOMIC DEVELOPMENT

Priority Area	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
Strategic Services	6	0	0	1	0	5	17%	☐
TOTAL	6	0	0	1	0	5	17%	☐

KPA 4: FINANCIAL VIABILITY AND MANAGEMENT

Priority Area	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
Chief Financial Officer	13	6	1	0	0	6	54%	☐
TOTAL	13	6	1	0	0	6	54%	☐

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KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
Corporate Services	5	1	0	0	1	3	20%	☐
Strategic Services	8	2	0	2	1	3	50%	☐
Municipal Manager	2	0	0	1	1	0	50%	☐
Chief Financial Officer	1	0	0	1	0	0	75%	☐
TOTAL	16	3	0	4	3	6	44%	☐

ANNEXURE C: GKM OVERAL PERFORMANCE INFORMATION PER DEPARTMENT

DEPARTMENT	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
CHIEF FINANCIAL OFFICER	16	8	1	1	0	6	63%	☐
CORPORATE SERVICES	16	9	0	1	1	5	63%	☐
MUNICIPAL MANGER	2	0	0	1	1	0	50%	☐
STRATEGIC SERVICES	15	2	0	3	1	9	33%	☐
TECHNICAL SERVICES	20	6	3	0	1	10	45%	☐
TOTAL	69	25	4	6	4	30	51%	☐

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ANNEXURE D: 2011/12 GKM OVERAL PERFORMANCE INFORMATION PER KPAs

KPA	Total KPIs (A)	Target Achieved/ Exceeded (B)	On Target (C)	Average (D)	Below Average (E)	Un-satisfactory (F)	Achieved Results (B+C+D)/A	Rating
GOOD GOVERNANCE	16	3	0	4	3	6	44%	☐
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	15	10	0	1	0	4	73%	☐
FINANCIAL VIABILITY AND MANAGEMENT	13	6	1	0	0	6	54%	☐
BASIC SERVICE DELIVERY AND INFRASTRUCTURE	19	6	3	0	1	9	45%	☐
LOCAL ECONOMIC DEVELOPMENT	6	0	0	1	0	5	10%	☐
TOTAL	69	25	4	6	4	30	51%	☐

ANNEXURE B: AUDIT ACTION PLAN

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AREA	PROPOSED APPROACH	RESPONSIBLE PERSON	ACTION OWNER	DEADLINE DATE	SUMMARY OF PROGRESS
1	Cash and bank				
1.1	Operating bank account	<ul style="list-style-type: none"> Review opening balances and adjust audit issues raised; Re-perform the 2011/12 reconciliation; Perform and review current year reconciliation on a monthly basis; 	CFO	SNR – Rev/exp	28/02/2013
			CFO	SNR – Rev/exp	28/02/2013
			CFO		Monthly
1.2	Investments accounts	<ul style="list-style-type: none"> Review opening balances, checking for any errors; Review treatment of prior year expenditure payments that were not transferred at year end; Ensure that investment/grants ledger are updated at the time of transactions; Grants funded expenditures are paid with grant funds, i.e. transfers from grant investment account should be done before payment. Review monthly reconciliations of all investment accounts on monthly basis. 	CFO	SNR – Rev/exp	28/02/2013
			CFO/IA	SNR – Rev/exp	28/02/2013
				SNR – Rev/exp	
			CFO	SNR – Rev/exp	Monthly

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			CFO		Monthly
			CFO		Monthly
2	Receivables				
2.1	Completeness and existence	<ul style="list-style-type: none"> Match the debtors in venus system to the valuation roll; Add to the debtors systems customers on the valuation roll that are not in the system; Identify all duplications in debtors database and remove all; Prepare journals to correct all identified errors; Aging analysis per category should be done on a monthly basis 	CFO	Rev Acc	8/02/2013
			CFO	Rev Acc	
			CFO	Chief debtors clerk	08/02/2013
			CFO	Chief debtors clerk	08/02/2013
			CFO	Chief debtors clerk	25/02/2013
			CFO		Monthly
2.2	Impairment of debtors	<ul style="list-style-type: none"> Assessment for impairment of debtors should be done for the prior year; Analyse every individual debtor to determine amount to be impaired; Impaired amounts should be aged; 	CFO	Chief debtors clerk	31/03/2013
			CFO/IA	Chief debtors clerk	31/03/2013
			CFO/IA	Chief debtors clerk	31/03/2013

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2.3	Councilors' debts	<ul style="list-style-type: none"> Review the internal audit investigation report and recommend to senior management on course of action. 	CFO/IA/MM	CFO	28/02/2013
3	Payables				
3.1	Payments in advance	<ul style="list-style-type: none"> Engage BCX on the payments in advance to establish how the balance in the account arises; There is need to link this balance with debtors in credit; Construct a complete listing of such accounts and compare them to debtors module account; Resolve the balance of the account for 2011/12 financial year; 	CFO/IA	Snr acc/IA	28/02/2013
			CFO/IA	Snr acc/IA	28/02/2013
			CFO/IA	Snr acc/IA	28/02/2013
			CFO/IA	Snr acc/IA	31/02/2013
3.2	Unallocated deposits	<ul style="list-style-type: none"> Prepare a listing of all unallocated deposits and these should be linked to the bank statements by date and any other reference; Devise the register listing that should be updated on a continually basis. 	CFO	Rev ACC	28/02/2013
			CFO	Rev ACC	31/01/2013
4	Revenue				
4.1	Prepaid electricity	<ul style="list-style-type: none"> To ensure that VAT on prepaid electricity has been taken out of revenue both for prior year and current year 	CFO	Chief debtors clerk	31/01/2013
4.2	Property rates	<ul style="list-style-type: none"> Reconciliation between valuation roll and debtors system, the two should mirror each other 		Rev Acc	
5	Expenditure				

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5.1	Prior year expenses processed with VAT	<ul style="list-style-type: none"> Revisit the invoices processed during 2011/12 year to identify those processed inclusive of VAT; Correct the VAT treatment on such invoices; 	CFO	Snr Acc	28/02/2013
			CFO	Snr Acc	28/02/2013
5.2	Leave pay provision	<ul style="list-style-type: none"> The prior year leave pay provision schedule need to be redone; and Ensure all employees are included; All leave application forms should be authorized and filed; Attendance registers need to be monitored; Leave pay provision should be determined on a monthly basis; 	Director Corporate Services		28/02/2013
			Director Corporate Services		
			ALL		
			ALL		
			Director Corporate Services		Weekly
			Monthly		
5.3	Bonus provision	<ul style="list-style-type: none"> Bonus provision should be determined on a monthly basis; 	Director corporate services		28/02/2013
6	Property, plant and equipment				
6.1	Valuation	<ul style="list-style-type: none"> Infrastructure assets – Roads: Engage Engineers to provide more information that is required by AG on the unit cost of valuation; Ensure that Asset register is updated on monthly basis; Depreciation calculations done on a monthly basis and update both the asset register and ledger; Perform monthly reconciliations 	Director Technical/Rakoma		31/01/2013
			CFO/IA		
			CFO/IA		
			CFO		

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		between ledger and asset register and correct any deviations noted;	CFO	BTO	Monthly
		<ul style="list-style-type: none"> Revisit the separation of land and improvements on the properties of the Municipality; 		BTO	Monthly
				BTO	Monthly
				BTO	31/03/2013
6.2	RDP houses	<ul style="list-style-type: none"> Investigate the status of RDP houses still on the Municipal asset register to determine ownership; 	Director Technical services	Mr Mbulawa	With immediate effect
7	Commitments	<ul style="list-style-type: none"> Review of the commitments registers for 2011/12; Prepare monthly commitment registers; 	CFO		28/02/2013
			CFO		Monthly
8	Unauthorized and irregular expenditure	<ul style="list-style-type: none"> Review the register of unauthorized and irregular expenditure for the prior year and reconcile to the year financials; Monitor for any movements in the current year and the updating of the register 	CFO	Snr Acc	28/02/2013
			CFO	Snr Acc	Monthly
9	Annual Financial Statements				
9.1	Statement of Financial Position	<ul style="list-style-type: none"> Restate prior year figures affected by adjustments, these include expenses which included VAT, bad debts provisions and write offs; Adjustment of prior year income 	CFO/IA		15/04/2013

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		figures overstated due to wrong billing on debtors;			15/04/2013
		<ul style="list-style-type: none"> Fair value adjustment of prior year figures. 	CFO/IA		15/04/2013
9.2	Statement of Financial Position	<ul style="list-style-type: none"> Restatement of the following balances of prior year after adjustments done: <ul style="list-style-type: none"> Receivables; Payables; Cash and cash equivalent; Property, plant and equipment (PPE) 	CFO/IA		15/04/2013
9.3	Statement of changes in net assets	<ul style="list-style-type: none"> Reconcile the statement of changes in assets for the prior year; 	CFO/IA		31/03/2013
9.4	Notes to the financials	<ul style="list-style-type: none"> Review the notes to the financial statements for adequate of disclosures 	CFO/IA		15/03/2013
9.5	Monthly management accounts	<ul style="list-style-type: none"> Prepare monthly management accounts which should be presented to senior management; Management accounts should checked for any gaps and these addressed as we prepare for the year end 	CFO	BTO	31/03/2013
			CFO	BTO	31/03/2013
10	Other critical issues				
10.1	Service Level Agreements	<ul style="list-style-type: none"> Creation of a register within the MM's office; Another register in the records section and file for all SLAs; 	MM	CFO/Mbulawa	15/02/2013
			MM	CFO/Mbulawa	15/02/2013

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10.2	Lease agreements	<ul style="list-style-type: none">• Create a lease register within the MM's office;	MM	CFO/Mbulawa	28/02/2013
		<ul style="list-style-type: none">• Refer the lease agreement for legal advice where necessary;	MM	CFO/Mbulawa	28/02/2013
11	Audit file	<ul style="list-style-type: none">• The audit file prepared and updated on a monthly basis			
		<ul style="list-style-type: none">• Audit file should be reviewed;	CFO/IA	SNR Acc	31/03/2013

