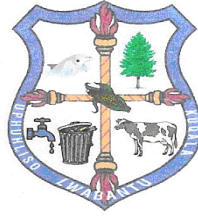


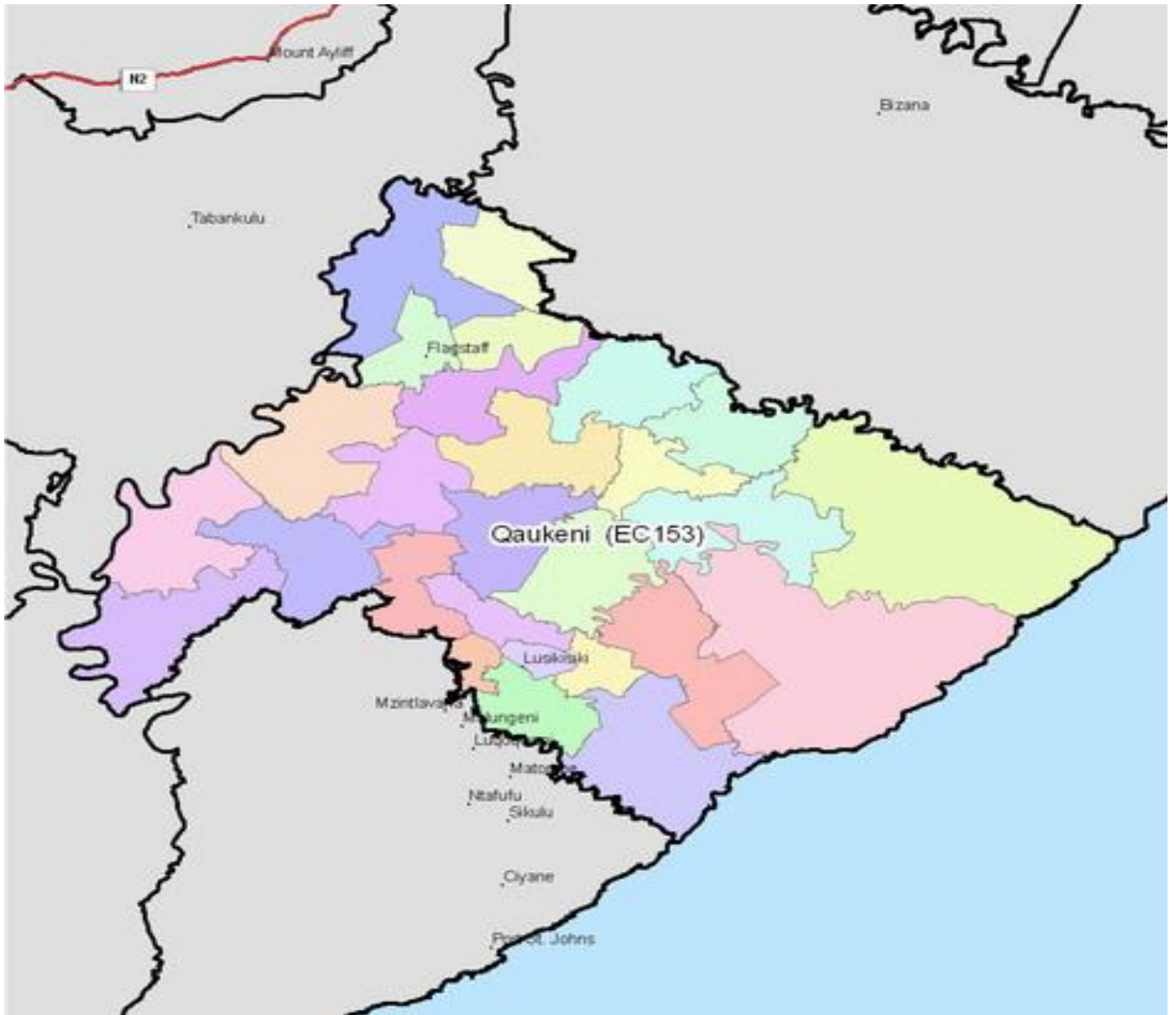
QAUKENI LOCAL MUNICIPALITY



ANNUAL REPORT

2006 / 2007

LOCALITY MAP OF QAUKENI LOCAL MUNICIPALITY



1.2 OVERVIEW OF THE MUNICIPALITY

1.1.1 Geographic Profile

Qaukeni Local Municipality is one of the seven local municipalities that constitute OR Tambo District Municipality in the Province of the Eastern Cape. It was established in 2000 through the amalgamation of former Lusikisiki and Flagstaff Transitional Local Councils and the surrounding rural areas which fell under the transitional Representative Councils. It is bordered by Mbizana Local Municipality to the north and Port St Johns Local Municipality to the south.

The municipality is strategically located with access to a poorly maintained road network-R61 route linking Port St Johns (a small town along the wild coast in the eastern part of the Eastern Cape) and Durban which traverses Qaukeni local municipality. Qaukeni Local Municipality has two main towns namely Lusikisiki and Flagstaff within the municipal jurisdiction area. It forms what was formerly known as the Pondoland renowned for its hill top where Amampondo clashed with whites in 1960.

1.1.2 Demographic and Social Economic Profile

In 2005/06 financial year Qaukeni municipality consisted of twenty five wards (25). According to the 2001 census Qaukeni local municipality had a population of 255 374 and 50 380 households. An understanding of the demographic characteristics of the municipality is an essential pre-requisite for effective development planning for the municipal area. Therefore the aim for this section is to analyze some demographic statistics and characteristics of the area so as to provide a basis on which development planning within the IDP framework could be made.

1.1.2.1 Population Groups

Table 1 Population group and gender of household head

	Male	Female	Total
Black African	18 579	31 405	49 984
Coloured	162	144	306
Indian/Asian	48	10	58
White	25	6	31
Total	18 814	31 565	50 379

Source: Statssa, census 2001

The table above shows population of Qaukeni local municipality in terms of population group and gender of household head. The distribution shows that over 80% of the population of the municipality is from populations that were historically disadvantaged by apartheid regime. This level of population emphasizes the importance of the municipality to actively programme for redressing the imbalances of the past, particularly with regard to economic development, infrastructure, housing and social service.

2.2 DEMOGRAPHIC INFORMATION

2.2.1 Population size and distribution

Qaukeni Local Municipality has an estimated total population of 255 374 people according to the 2001 census figures. It is estimated that the population growth rate is 1.2% per annum. The population density in 2001 was calculated at 234 people per square kilometre which is very high considering that the majority of the population is rural.

The municipal area is predominantly rural in nature and the majority of the population reside in the rural areas

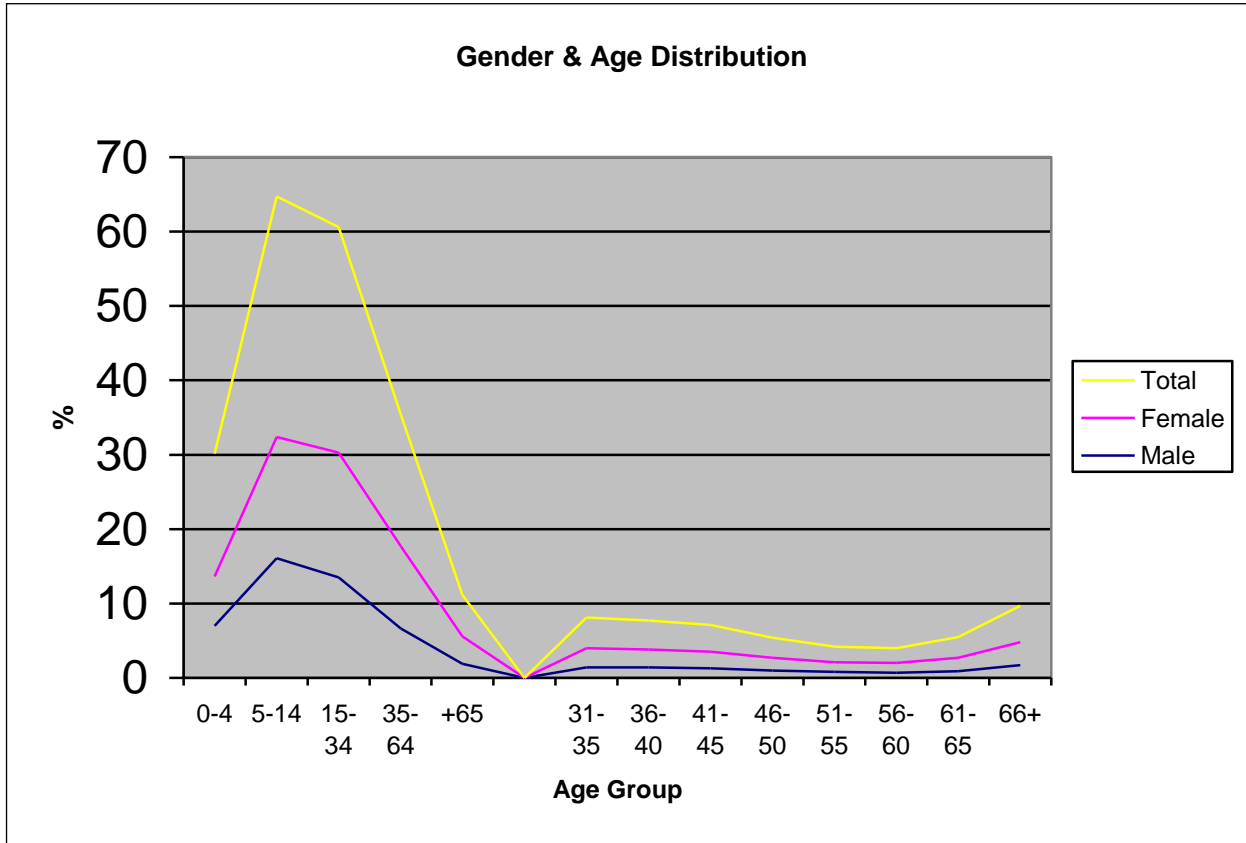
2.2.2 AGE AND GENDER COMPOSITION

Approximately 46% of the population of Qaukeni Local Municipality are 15 years or younger. 48% of the population are between the ages of 15 and 64 years and can be considered economically active despite the scarcity of employment in the municipal area. 6% of the population are 65 years and older. The burden of supporting the youth and the elderly falls therefore falls onto the shoulders of the 15-64 age groups. The high number of young people suggests that service provision and social upliftment should be targeted at the youth and should be an important consideration for development.

Approximately 55% of the municipal population is female and the remaining 45% is male. This gender distribution is in line with the national trends.

The statistics reflect a discrepancy in terms of the gender distribution between the 0 – 4 age category and the other categories. The male / female ratio in this group is equal, whilst in the remaining categories the female gender is predominant. A possible explanation for this is the outward migration patterns, once children reach their teenage years. Males tend to migrate to other areas in search of education and work, while females tend to remain behind to serve their families. A gender sensitive approach to development is therefore needed.

Figure 4: Population distribution based on gender and age.



2.2.3 RACIAL COMPOSITION

The municipal area is low in racial diversity and more than 99% of the inhabitants are African. The remaining 1% is comprised of Coloured, White and Indian racial groups

2.3 ECONOMIC INDICATORS

2.3.1 Gross Geographic Product

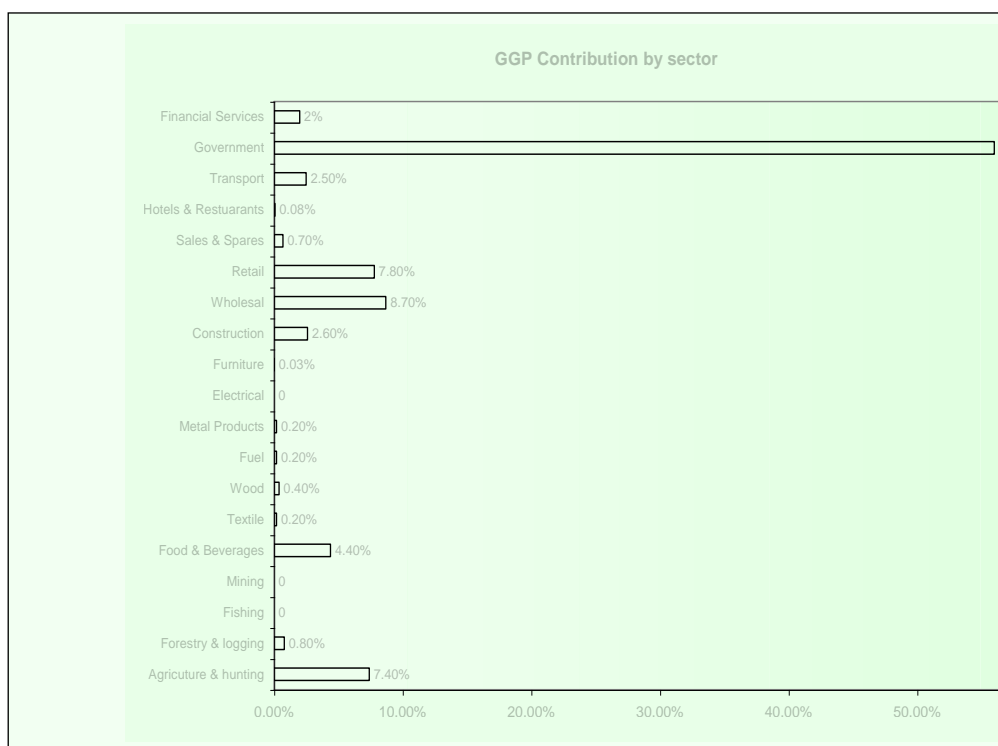
Qaukeni local municipality is the second highest contributor to the O.R. Tambo District Municipality's GGP, after King Sabata Dalindyebo local municipality. Its contribution totals about R617 million per annum, which accounts for 9.4% GGP contribution (QLM, 2006).

The government sector makes a significant contribution to the GGP of the municipality with a total contribution of 56%, followed by wholesale (8.7%), retail (7.8%) and agriculture & hunting

at 7.4%. The remaining sectors have a contribution of less than 5% each which hampers the economic growth of the area. Ironically it is the sectors that are making the smallest contribution that have the highest potential to improve the local economy.

The graph below indicates the sectors that contribute to the municipality's GGP (QLM IDP, 2006).

Figure 6: GGP Contributions



2.3.2 The Human Development Index and Poverty Gap

The Human Development Index (HDI) is used as an indicator of development. The HDI is calculated by measuring the overall achievement in respect of the three basic dimensions of human development namely longevity (life expectancy), knowledge (literacy) and standard of living (income). If the HDI is less than one then it is concluded that the area is poor.

The HDI for Qaukeni Local Municipality is 0.41 and this reflects the highest levels of poverty. This trend is also apparent at district level with all municipalities recording figures below 0.56% (which is the provincial index).

The poverty gap is an indicator of the depth and incidence of poverty, which is calculated by the difference between the income of each poor household and the poverty line. It is common knowledge that income and wealth distribution in South Africa is among the most unequal in the world, more especially the inequality between the former homeland areas and the rest of the country.

The poverty gap for the OR Tambo district is 49.6%, which is second in the province to Alfred Nzo's 52.6%. There are no statistics calculated for Ingquza Hill Municipality but it is believed that the district picture provides an adequate reflection

2.3.3 Household statistics

According to the statistics from the 2001 census there are 51 038 households in the Municipal area, and the average household size is 5 persons per household.

Household income levels in the area are generally low. According to Census 2001, less than 1.4% of households earn above R76 000 per annum or R 6333 per month. More than 97% of households in this municipality have to live on an income of less than R800 per month.

63% of households are headed by women and 37% by men.

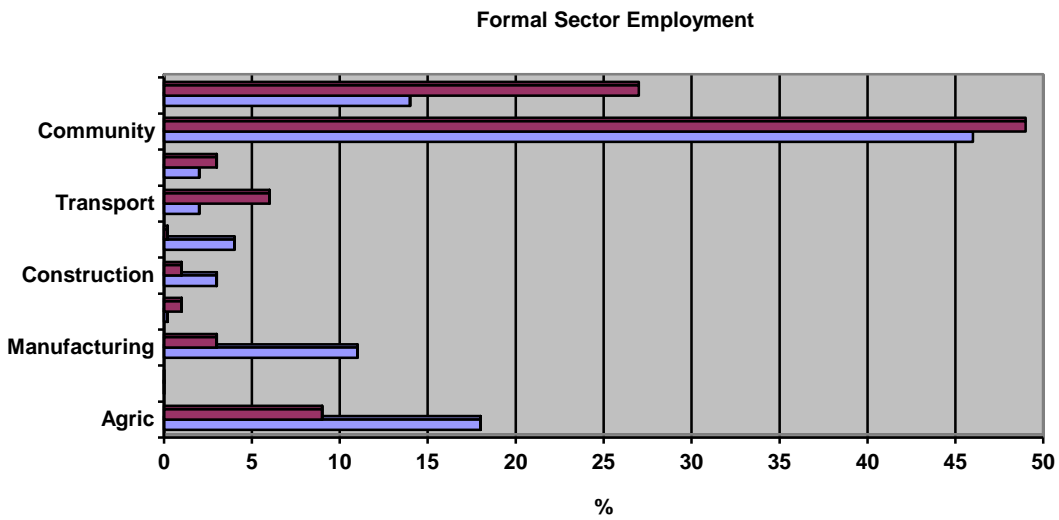
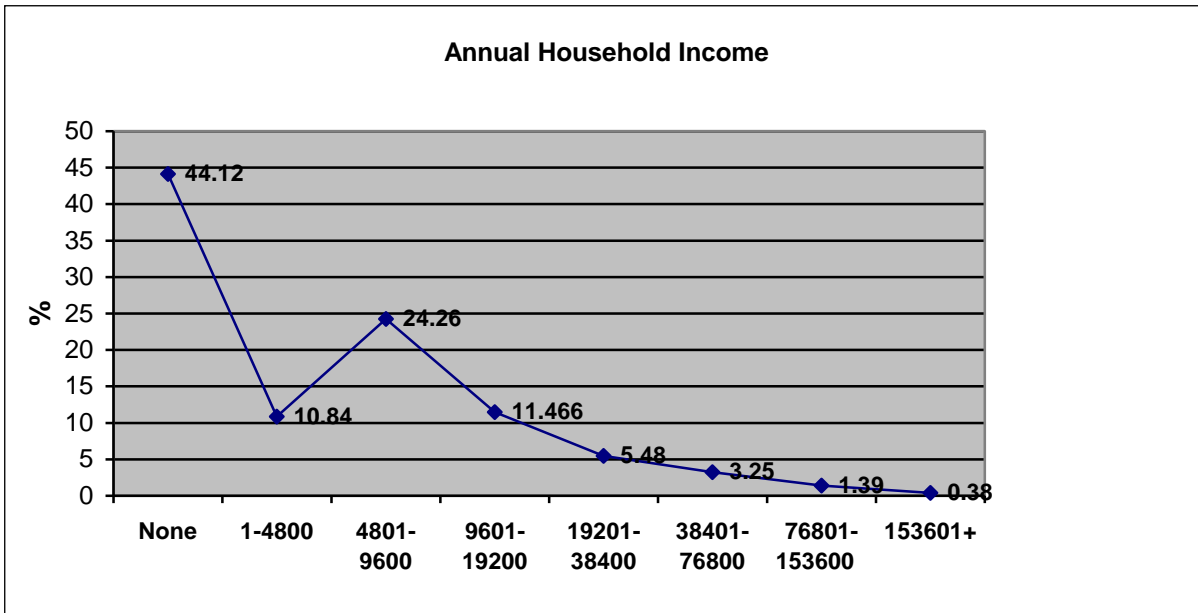


Figure 8 Formal sector employment

Source: (Census 2001)

2.4 SOCIAL INDICATORS

2.4.1 Education

The area is characterised by poor literacy levels and low educational levels. Only 2, 4% of the population have a matric and only 1, 4% of the population have post matric qualifications

Comparisons of the levels of education across the municipalities point to strong links between low household incomes, high unemployment and a low human development index.

As a consequence of the lack of formal education, functional literacy for the areas is also low. Functional literacy is estimated at 48% which is also the average for the district. The low levels of education imply a need for adult education and skills development programmes, improvement in access to schools and resource allocation to enhance opportunities for further training.

2.4.2 Health

The Eastern Cape is divided into 5 health regions which differ from the District Municipality boundaries. Qaukeni Local Municipality falls within region D. It is believed that the regional position will provide an adequate reflection of the situation at Qaukeni Local Municipality.

Adult health

The biggest threat to adult's health status in the district is HIV/AIDS. The average prevalence rate of the municipality is 20, 2%. The average prevalence rate for region D is even higher at 22.1% according to statistics released in 2000 (ECSECC, 2002). Since Qaukeni Local Municipality is mostly rural, HIV prevention programmes have to deal with problems surrounding access to primary health facilities and services.

The impact of HIV/AIDS is exacerbated by the prevalence of tuberculosis. TB prevalence in region D is 16.4% which is high when compared with the provincial average of 10.3%. TB is generally associated with poverty and over-crowding. These factors are also evident in the municipality and it is essential that this be monitored to prevent an escalation of this figure.

2.4.3 Safety and security

There are four police stations in the municipal area, namely Flagstaff, Hlababomvu, Lusikisiki and Mtontsasa. Police are in the process of establishing community policing forums. They are also facing difficulties in implementing crime prevention strategies in urban areas because of poor street lighting and overgrown vegetation. Justice is administered through tribal courts and the formal court system. The formal court system is used to refer cases that cannot be resolved to the satisfaction of all parties in tribal courts in the rural areas although some cases do get to the formal courts system before they are tabled in tribal courts.

2.4 INFRASTRUCTURE

Service infrastructure plays a critical role in the development of the economy of the municipal area as well as the maintenance of environmental and health standards. Service backlogs are rampant. The other reality is that areas with huge infrastructural backlogs tend to do poorly in attracting investment. Whilst it has favourable geographical conditions, this municipality has been unable to attract established industries to come and invest in its area. If it has to meet the Millennium Development Goals targets, all spheres of government must work together to improve bulk infrastructure investment.

2.4.1 Telecommunication

According to the 2001 census figures, 16% of the population have access to telecommunication in their homes either through a land line or their own cell phone. 56% have access to phones at a reasonable distance and make use of phones belonging to other persons or public telephones. 28% have no access or access at a location far from their homes.

Telkom now operates an established telecommunications network throughout the region. Telecommunications were historically limited to urban areas, but are now being promoted in remote areas by means of the Digital Enhanced Cordless Telephone System (DECT). Vodacom and MTN have also installed transmitters that provide service to 13% of households.

2.4.2 Water Services

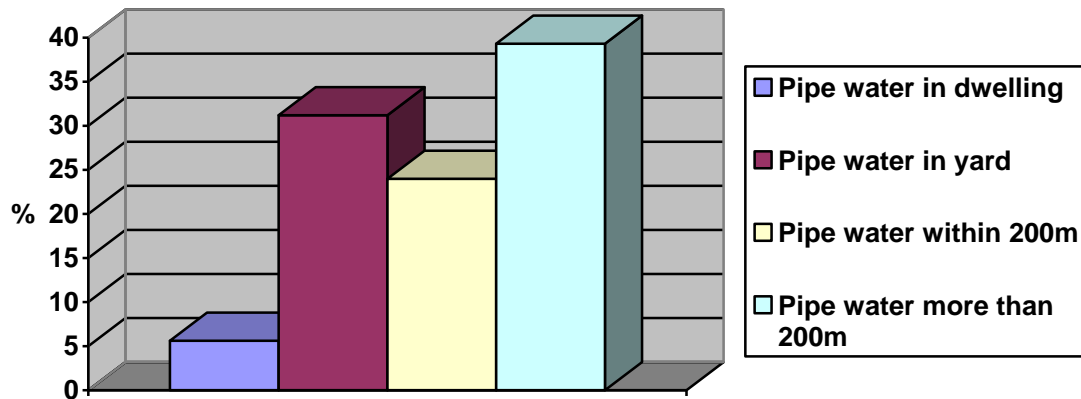
Access to potable water is essential to survival, human health and development. There is a link between the provision of water and sanitation services. Sewer systems depend on water for their effective functioning.

Qaukeni Local Municipality is one of the areas that have been adversely affected by human settlement patterns, global warming and poor infrastructure development, which in turn limits access to potable water which impacts negatively on both the quality of life and standard of living of the community.

The previous dispensation did not prioritize the development of bulk infrastructure in rural and homeland areas, and these communities were forced to rely on natural sources of water such as rivers, streams and dams as a source of water for drinking and domestic purposes.

According to Census 2001 figures, 70% of households at the municipality are dependent on natural sources of water such as boreholes, springs, tanks, rivers and dams. Only 21% of the population have access to RDP standard water in their homes. Of this 21% only 61% have access to piped water within 200 meters of their yard boundary. The following graph indicates the levels of access to piped water.

Figure 9: Access to potable water



Source: (Census 2001)

The standard of living in this community will either remain the same or decline over time unless the necessary steps are taken to ensure access to water of an acceptable standard.

The backlog in bulk infrastructure is a huge problem that requires urgent attention. The backlog figure for Qaukeni Local Municipality stands at approximately 80% according to Statistics SA which draws on the census results for 2001. This figure demonstrates the actual reality faced by ordinary people who need access to water to meet their daily needs.

The following table indicates the backlogs in the provision of water for the province, district and municipality.

Table 2: Backlogs for water provision

RDP Water service levels (Actual number of	HH with RDP Water service	RDP Water backlog (%) within municipality	RDP Water backlog as % of district	RDP Water backlog as % of province

households)	levels (%)		total	total
10561	20.96%	79.04%	16.21%	7.01%

(Source: Stats SA 2001)

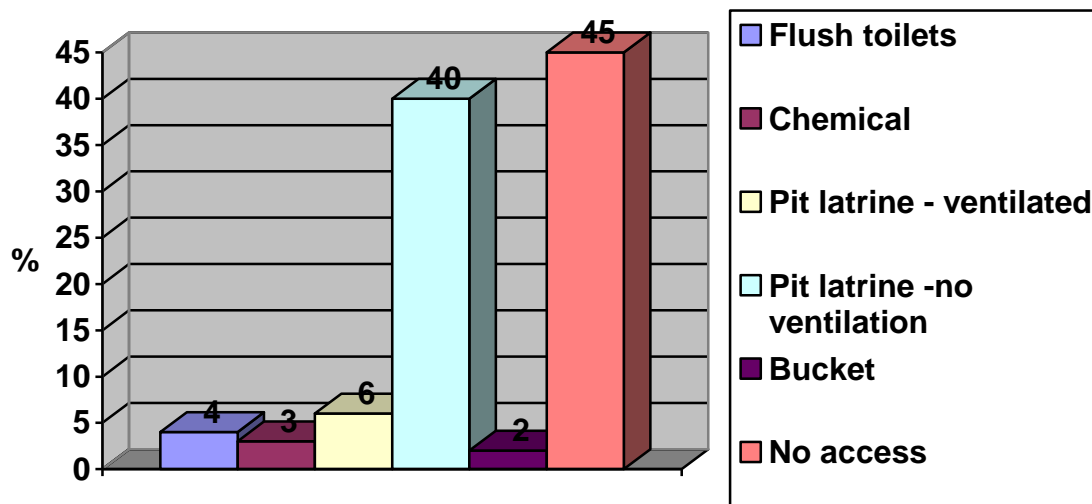
The maintenance levels of the existing infrastructure are also inadequate. Substantial water losses result from the poor levels of maintenance and the lack of community involvement in the area of water conservation. Qaukeni Local Municipality is not a water service authority, which affects the ability of the municipality to directly respond to household water demands. Potable water supply is a district function and the district municipality is in process of and undertaking Section 78 Assessments to determine the most effective mechanism to render the service.

2.4.3 Sanitation Services

The sanitation infrastructure is also not adequate to meet the demands of the households in the municipality. There is a high number of households with no access to sewer services and this reflects the sub standard levels of infrastructure development. Only a paltry number of households have access to a flush toilet. The majority of households are using pit latrines without ventilation or have no access to any form of toilets which may have negative impacts on both the health of the communities and the environment.

The following graph reflects the number access levels of households to different sanitation systems.

Figure 10: Access to sanitation systems



(Source: Stats SA, census 2001)

In line with the Millennium Development Goals target, the government has set the year 2012 as the deadline for halving the backlog in access to basic sanitation. The government has also set the end of 2007 as a target to eradicate the bucket system. Whilst different systems will be put in place as interim measures to improve access to sanitation, the ultimate goal is to have a flush toilet in each and every household.

The available statistics demonstrate that the previous dispensation did not give priority to investing in water and sanitation infrastructure. Backlog figures for sanitation services within the Municipality stands at around 88%.

The following table indicates the backlogs in the provision of sanitation for the province, district and municipality.

Table 3: Sanitation backlog

RDP Sanitation levels	RDP Sanitation service	RDP Sanitation backlog	RDP Sanitation backlog	RDP Sanitation backlog

(Actual number of households)	levels (%)	(%)	as % of district	as % of province
5906	11.72%	88.28%	15.77%	4.93%

(Source: Stats SA 2001)

2.4.4 Waste Management

The management of waste plays a crucial role in ensuring that communities are able to live in an environment that is conducive to their health and well being. Municipalities have an obligation to protect the environment for present and future generations and must take positive steps to minimize factors that impact negatively on the environment and the community living within the environment. Pollution is one of the factors that can lead to environmental degradation and detrimental living conditions.

The previous dispensation did little to manage and regulate the dumping of waste which led to the indiscriminate dumping of waste in close proximity to residential areas. This had dire consequences for the health and living conditions of these communities.

Qaukeni Local Municipality is responsible for performing the cleansing, refuse removal, refuse dumps and solid waste disposal function. Cleansing in this context includes waste in public places, such as streets etc. The treatment and storage of waste is a bigger challenge, as suitable land has yet to be set aside and licensed for this purpose. The proliferation of settlements is also posing a serious challenge to the municipal planning process.

Currently, access to refuse removal services and cleansing is limited to the urban centres of Lusikisiki and Flagstaff. There is a general lack of access to refuse removal in the municipality with only 28% of households having access to this service. The majority of households resort to environmentally insensitive and illegal mechanisms for disposing of waste which in turn pose health risks to the community. Littering is prevalent throughout the entire municipality as is the discarding of dangerous forms of waste such as scrap metal. There is no municipal beach cleaning service in the coastal area.

Qaukeni Local Municipality has not been able to prioritize waste management and the table below reflects the levels of access to refuse removal services.

Table 4: Access to levels of refuse disposal

Refuse removal	Households	Percentage
Removal by local authority at least once a week	996	2%
Removed by local authority less often	269	0,5%
Communal refuse dump	182	0,3%
Own refuse dump	36 216	72%
No rubbish disposal	12 717	25%

(Source: Stats SA 2001)

The municipality has a backlog of 97.5%. The following table indicates the backlogs in the provision of refuse removal services for the province, district and municipality.

Table 5: Refuse removal facilities backlog

RDP Refuse removal 2001 (actual)	RDP Refuse removal (%)	RDP Refuse removal backlog (%)	RDP Refuse removal backlog as % of district	RDP Refuse removal backlog as % of province
1265	2.51%	97.49%	15.78%	5.27%

(Source: Stats SA 2001)

2.4.5 Electrification

The electricity sector has been in a state of limbo over the last few years as the electricity distribution industry (edi) grapples with the concept of regional electricity distributors (red's). There is still lack of clarity about how they will relate to local government. This probably stems from the fact that policy has been driven by the electricity sector with insufficient engagement with municipalities who remain, after all, responsible for providing the electricity reticulation service in terms of the constitution.

In principle, six REDs will be established, each with their own boundaries. The RED's will cover the whole country. This has been approved by cabinet and the EDI is proceeding with business planning for these entities.

There is a principle agreement at national level that those municipalities, which appoint RED's as service providers, will give up their assets to the RED concerned. In return they will be given shares in the RED. Therefore the RED's will be co-owned by national government (contributing the assets associated with Eskom's current distribution system within the RED) and a group of municipalities. The basis for the allocating of shares has not been finalised yet.

In order to compensate municipalities for the loss of revenue from sales of electricity, it has been agreed in principle that the RED will pay a levy to municipalities it serves. At this stage the basis for calculating this levy is uncertain.

Outside the metros a decision has to be taken as to whether the district or local municipality will be the service authority. The current status is that the positions prior to the year 2000 holds, namely that local municipalities are the authorities. This is further confirmed by the fact municipalities such as Qaukeni Local Municipality receives the electricity component of the equitable share allocation as well as the free basic electricity allocation.

77% of the households of Qaukeni Local Municipality have access to RDP standards of electricity. Extensive use is still made of other sources of energy, which can possibly be attributed to affordability levels. Wood remains the most commonly used source of energy for cooking purposes which can have serious environmental consequences. Paraffin is also

commonly used as fuel for both heating and cooking purposes. Candles are also still used extensively for lighting purposes. Low usages of electricity impact negatively on the ability of the municipality to collect enough revenue from the equitable share allocation for free basic electricity. The electricity backlog for Qaukeni Local Municipality stands at 23%.

2.4.6 Roads and Transport

Roads are essential infrastructure for attracting investment and development in the municipal area. They are also a catalyst for mobility of people and goods within the municipal area.

Qaukeni Local Municipality is traversed by the R61 which links Port St Johns to Durban. This route runs through both of the commercial centres of the area namely Lusikisiki and Flagstaff. This regional road serves as access road in and around the central business districts and main road to towns nearby such as Bizana and Port St Johns.

This road is in poor condition and is not adequately maintained and evidence suggests that there is gradual decline in its condition (Qaukeni IDP, 2004). The majority of roads are district roads and are poorly maintained, especially the roads in rural areas. Most of the access roads are not tarred and have no road markings or signs. Potholes, standing water and lack of loading and off-loading facilities for passengers reduce the level of service and capacity of the roads in the municipal area.

The annual budget set aside for maintenance in the last financial period was below the acceptable standard. Resources need to be deployed to address critical areas such as road conditions, road markings and traffic signs. There is also a need to do resealing as prescribed by pavement management system to avoid the deterioration level. There is an urgent need to improve all roads within the municipality.

The majority of the population are pedestrians. A small proportion of the population make use of busses, minibus axis and private cars for transport.

The directorates are as follows:

- Infrastructure and Engineering Services

-
- Strategic and Development Planning Services
 - Corporate Services
 - Social Development and Council Support Services and Public Safety
 - Finance

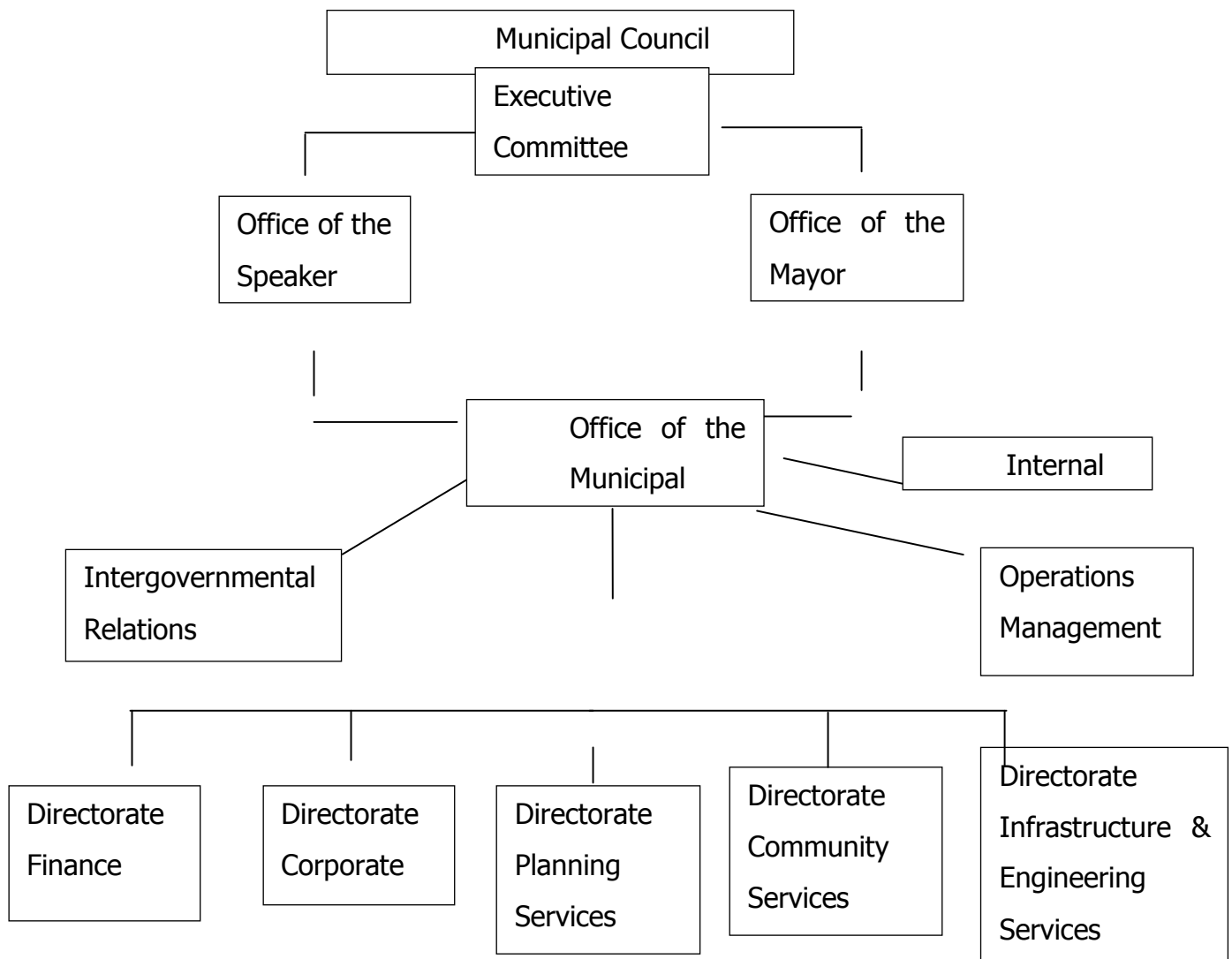
The departments are organized according to the following directorates:

- The Directorate Infrastructure and Engineering Services:
 - Roads and Storm Water Drainage
 - Electricity
 - Solid and Liquid waste
 - Basic Services
 - Buildings
- The Directorate Social Development and Council Support Services:
 - Public Safety
 - Social Participation
 - Humane Services
 - Pounds
 - Administration and Council Support
- The Directorate Strategic and Development Planning Services
 - Local Economic Development

-
- Special Programs Unit
 - Town Planning
 - Integrated Development Plan and PMS
 - Disaster Management.
 - Environmental Management
 - Communication
 - Housing
 - Land Use Management and administration
- The Directorate Finance
- Revenue and Property valuation
 - Expenditure Services
 - Treasury and Budget Control
 - Supply Chain Management
 - Asset and Risk Management
- The Directorate Corporate Services
- Administration and Customer Services
 - Legal Services
 - Human Resources
 - IT Services

Figure 11 provides a graphic representation of the management structure of Ingquza Hill Municipality

Figure 11: Management structure of Ingquza Hill Municipality



The municipal structure reflects 294 positions. 202 of these positions are filled which translates to a vacancy rate of 30%. A further 92 of these positions are in process of being in a process of being filled.

There has been a steady increase in the number of positions that have been filled each year. This is especially positive in comparison to other municipalities in the district. This has been done with the specific purpose of improving the employee customer ratio.

Table 6: Employee appointment rate

Employees	Employees	Employees	Employees	Employees
-----------	-----------	-----------	-----------	-----------

2002	2003	2004	2005	2006
127	152	169	148	202

(Source: Stats SA 2001)

The following table indicates the staffing level percentage change

Table 7: Staff level percentage change

Staffing % change 2002 to 2003	Staffing % change 2003 to 2004	Staffing % change 2004 to 2005	Staffing % change 2005 to 2006
19.69%	11.18%	-12.43%	36.49%

(Source: Stats SA 2001)

Institutional issues

The municipality does not have professionals in sector departments. General managers are supported by assistants and as a result of that unrelated functions have had to be clustered in some instances into one cluster namely, Infrastructure, planning, community and protection services. The municipality is not capacitated in a manner in which the organogram would allow the municipality to carry out its functions and IDP process efficiently and effectively. It also does not have main management system in place. These include the following:

Performance Management System

Comprehensive Information Technology system

Comprehensive Communication Strategy

Comprehensive Financial management System

Comprehensive Spatial Development Framework and Land use Management System.

The following are proposals as suggested in the stakeholder's forum

-
1. Need to appoint a manager in the Mayor's office, which will ensure the programmes in the office and establish a VIP unit for political protocol.
 2. Need to appoint a manager in the Speaker's office, which will ensure that all council matters are dealt with according to order of priority.
 3. Need to appoint a manager, which will co-ordinate performance system, integrated development planning, and intergovernmental relations in the municipality.
 4. Need to ensure that there is someone who is responsible for fleet management of the municipality and who can authorize trips taken by employees as well as routine maintenance.
 5. Incorporation of traditional leaders into the municipality and make sure that they are located a space to do their activities.
 6. Need a manager to coordinate local economic development activities.

There is obviously a high rate of vacancies in critical posts in the municipality. Steps should therefore be taken immediately to address the following.

1. Appointment of senior Managers, Professionals, Technical Experts in the identified posts.
2. The above must be informed by a detailed competency profile for each position.
3. Decentralization of technical capacity from national, provincial government and other sources.
4. Selection and recruitment of appropriately skill resources linked to enforceable Performance Management System.
5. Prepare a strategic level skills audit of existing skills and capacities within administration.

One of the critical areas which the municipality a challenge with is skills development. In terms of Skills Development Act, organizations are required to draw up workplace skills plan in every planning year. There has been no plan for this planning year under review.

Skills as per specific discipline

Finance Department: there are skills shortages and that deserves immediate attention. Poor management practices in the form of poor accounting standards and controls, poor planning relating to poor budgeting and cash management could also be attributed to lack of skills.

Institutional strengths and weaknesses

Strengths: there is strong awareness of the need for change, and a broader commitment to change. Employees general see themselves as part of this process.

Weakness: outstanding baseline information to manage institutional matters effectively that is policies and integrated institutional plan.

1.3 EXECUTIVE SUMMMARY

1.3.1 VISION

“A developmental, economically viable and responsive municipality where all communities enjoy equitable access to sustainable services”.

1.3.2 MISSION

“To facilitate sustainable development by promoting economic development and ensuring service delivery in a just and equitable manner focusing on infrastructural and social services through skilled, accountable and responsible administration and council that prioritizes community needs and good governance.

1.3.3 Core Business of the Municipality

The core business of the Qaukeni Local Municipality is to provide infrastructure and services that will meet socio-economic needs of local municipality in an integrated manner by developing effective and efficient leadership of councilors and officials and mobilizing participation of stakeholders.

1.3.4 Strategic Objectives

The municipality set itself for the following strategic objectives in accordance with four strategic thrusts identified.

1.3.4.1 Institutional thrusts

- To have administration that adequately responds to the responsibilities of and the strategy of the municipality by June 2006;
- To ensure that appropriate by-laws are enforced by June 2008
- To maintain functional ward committee structures in at least 75% of wards by June 2006.
- To achieve 80% collection of budgeted revenue by June 2008;
- To contain overall expenditure increase to within the National Treasury guidelines by June 2008.
- To have organizational systems and facilities that adequately support the administration by June 2008;
- To provide services that are consistent with the municipality’s access to resources by June 2007.

1.3.4.2 Economic Development Thrusts

- To achieve an annual GDP growth rate of 3% through the diversification of the economy y June 2010;

-
- To provide satisfactory support to SMMEs by June 2008;
 - To reduce unemployment by 5% by 2010.

1.3.4.3 Infrastructure Service Thrusts

- To improve access to roads by 10% by 2008/09;
- To provide all urban businesses, institutions and households with adequate refuse removal and street cleaning services by 2010.
- To have adequate and legal waste management and disposal facilities and services by the municipality.
- To improve access to electricity to 15% of households by 2010;
- To meet all the targets of Government's Strategic Framework for Water Services by December 2010.
- To improve access to formal housing by 10% by June 2010;
- To have at least half of the wards having adequate access to community facilities such as schools, clinics, recreational centers and community halls, as determined in the needs analysis using relevant needs tests applied by responsible authorities by June 2010
- To maintain burial space that is equal to 3% of the population in the municipality by 2008
- To provide adequate public transport facilities by June 2010.
- To have orderly trading in the urban centers by June 2008
- To reduce the number of road accidents caused by stray animals in the municipal area by 10% by 2010.
- To ensure that all development initiatives are based on a well conceptualized spatial plan from June 2006.

1.3.4.4 Social Development and Environmental Thrusts

-
- To increase the percentage of population with grade 12 education and higher to start at least 20% by June 2009
 - To have a citizenry in which everyone above the age of 12 years has at least some primary education or its equivalent functionality by 2010;
 - To make a reasonable contribution towards skills development in the municipal area by June 2007;
 - To decrease the rate of crime by 10 % by June 2007;
 - To reduce unplanned land use and or illegal property development to less than 25% in urban areas and less than 40% in rural areas by June 2009;
 - To ensure meaning involvement of the youth development;
 - To start providing the following services;
 - o Air pollution monitoring and control ;
 - o Control of public nuisance;
 - o Control of undertakings that sell liquor to the public;
 - o Provision of facilities for the accommodation care and burial of animals;
 - o Fencing of grazing;
 - o Licensing and controlling of undertakings that sell food to the public;
 - o Monitoring and control of noise pollution;
 - To work with other spheres of government to ensure the provision of the following services;
 - o Control of diseases such as rabies
 - o Monitoring of and provision of facilities for safe disposal of medical and hazardous waste
 - To reduce by half the number of incidents of environmentally harmful activities in the municipal area by 2010;
 - To eliminate incidents of unregulated developments in the coastal area by 2010:

1.3.2 Municipal Financial Profile

The financial profile of Qaukeni Local municipality is reflected in the multi year budget of the municipality in terms of:

- Income, which includes grant funding from the national government, tariff charges, property rates and other income that includes sundry, interest, etc; and
- Expenditure on operational costs, maintenance of services and capital development

The financial trends of the municipal are reflected in the annual financial statements.

CHAPTER 2

PERFORMANCE HIGHLIGHTS

2.1 Review by the Acting Municipal Manager

2.1.1 IDP Processes

The preparation of an Integrated Development Plan is obligatory in terms of the Municipality Systems Act, Act 33 of 2000. As the IDP is the legal requirement, the final approval of this IDP will attain the legal status and it will supersede all other plans that will be guiding development within Qaukeni's area of jurisdiction.

The first round of IDP's was prepared in a very difficult context. There was lack of clarity as to the nature and purpose of IDP's; the newly elected councilors were inexperienced with matters relating to planning and governance and governance in general. There was confusion array of demands placed on municipality by national and provincial governments, and the resources to implement the IDP's were very limited.

As a result of this a number of development planning assessments and engagements between and within the three spheres of government were undertaken. The primary objective of these engagements was to assist local government to expedite service delivery on the one hand and also to fully understand the new developmental mandate of local government. Some of these assessments and engagements included MEC, OR Tambo District Municipality (whose focus was mainly on assisting Qaukeni Local Municipality in terms of internal institutional arrangements and credibility of the IDP).

A project initiation meeting was held with the Acting Municipal manager, members of the management team, members of operational support team and the representatives of the OR Tambo District Municipality. The purpose of the meeting was to agree on the methodology, work plan and deliverables of the IDP review project.

2.1.2 Finance

Qaukeni Local municipality is predominantly rural municipality, with more than 95% of the population living in rural conditions. Accordingly, the municipality does not have the revenue potential associated with more urbanized and possibly industrialized municipalities. The IDP accepts that there is great potential in agriculture, tourism, forestry and aqua culture sectors, but the municipality has not realized any benefits arising out of these sectors. This is due to the lack of a planning framework, the weak institutional arrangements in the municipality, as well as the lack of integration and coordination among the various spheres of government.

The main source of income for the citizenry of this municipality is National Government Grant funding. There is therefore a very limited tax base for the municipality.

To compound the financial situation in the municipality, the water services function, a key historic income generating service, was assigned to the district municipality and it accordingly

decided to render the service on its own resulting in a significant loss of potential revenue to the municipality.

In view of the precarious financial situation at the municipality, it is imperative that a realistic revenue generating strategy be formulated and implemented. This strategy will aim at ensuring that in the short term all reasonable efforts are taken to collect all possible revenue no matter how limited, while the municipality works on its long term strategy of increasing the tax base through economic development.

The key elements of the revenue generating strategy are:

To increase collection rates from the current 30% to 80% of the budgeted revenue by June 2008 by updating and correcting mistakes in the property valuation roll and developing and implementing a proper rates policy- currently the municipality levies property rates on the basis of the 1991 valuation rolls for the towns of Lusikisiki and Flagstaff. Although no significant attempts have been made to even collect these rates, the very fact that a 1991 valuation roll has been used has significantly compromised the revenue base of the municipality in that all properties developed within the rateable area since 1991 have not been included in the rates net.

A valuation roll was compiled in 1998, but has not been implemented. The Flagstaff valuation roll processes have been completed. However, it has not yet been implemented due to the belief that the values attached to certain properties are wrong. The Lusikisiki valuation roll must still undergo the valuation court processes, after which it should be ready for implementation.

The intention is that both valuation rolls should be implemented during the current financial year, following a finalization of the outstanding process (including the validation of the of the suspect property values in Flagstaff) as well as a comprehensive community consultative process. It is anticipated that the rates income, if appropriate collection strategies are put in place.

On the hand, the Provincial Department of Housing and Local Government and Traditional Affairs has provided funding to the municipality to undertake a general valuation of properties in the Qaukeni Local municipal area of jurisdiction. This process will be linked to the development of the property rates policy that is in line with the Property Rates Act. It is anticipated that the two processes will be completed during the next financial year, to allow for the implementation of the new valuation roll and property rates policy in the 2008/09 financial year.

Reviewing, updating and implementing a debt collection and credit control policy and billing processes- one of the reasons which have contributed to the continued rise in debtors is the fact that the customer database of the municipality is contaminated with inaccurate data. In certain cases people/ households are sent accounts of residential households whereas they converted to business (mainly bed and breakfast accommodation units) without following the normal rezoning practices as would be the case if the municipality had a functioning Town Planning Unit.

Given the above facts, it is imperative that a data cleansing exercise be embarked upon as a matter of urgency in order to ensure the accuracy and completeness of the billing process. This will allow the municipality to implement an effective credit control and debt collection policy. Of concern is the observation that Provincial Government Departments are among the worst payers.

Once data cleansing is complete, efforts will be made to collect all outstanding payments from government departments, 75% of 60 days or more outstanding payments from businesses; and 50% of 60 days or more outstanding payments from non-poor residential households, during the current financial year.

Developing the service subsidy policy for poor households-the municipality receives equitable share and free basic services grant from the National fiscus to assist it to provide free services to poor households. In a situation of poor debt collection and credit control, these resources end up subsidizing all consumers including the non-poor, business and institutions in the form of deficit financing.

Parallel to the introduction of an effective credit control and debt collection policy, poor households will be identified and their debts will be written off if they agree to the introduction of measures that will limit services to them to a basic level that is affordable to the municipality. Such households will continue to get free basic services as long as the measures are in place. A household that wishes to get a higher level of service will no longer be exempted from payment.

Organizing flexible/ user-friendly services and rates payment points options-one of the factors that influence payment patterns is the absence of convenient payment points. The municipality will arrange with retail outlets in convenient locations to act as municipal payment points. Redesign its solid waste service in order to achieve self sustainability of the service in the medium term. This is the second largest contributor to the municipal revenue excluding national government grants. There has been neither a concerted effort to collecting the revenue accruing to the municipality from this service nor ensuring that the tariff is cost effective. The municipality will redesign this service and ensure that cost effective tariffs are charged for different levels of service and that a municipality subsidizes basic level of service is provided to the poor households who cannot afford to pay for services.

Maximise collection of other general income- various other forms of income accrue to the municipality but because of poor or non-existing internal controls, the income is not received by the municipality. This category would include such income as sale of wood, hire of town hall, pound fees, advertising on billboards etc. The municipality will assign responsibility to an official to track and ensure collection of this income.

2.1.2 Local Economic Development

Qaukeni Local Municipality is well endowed with natural resources that can be utilized for local economic development. The main areas of potential growth within the area in terms of local economic development are linked to the following:

- Crops and live stock Farming
- Tourism
- Potential for mining
- Aqua-culture and fishing

The municipality has innovatively designed projects and programmes and has entered into a number of partnerships aimed at alleviating poverty and creating employment in the area. However, the success of such programmes depends largely on the existence of other support programmes that are strategically aimed at sustaining the local economy. The fact that projects being implemented do not form part of a broader strategy minimizes their strengths and promotes fragmentation in implementation. The municipality therefore needs conduct an in-depth analysis of its economic development potential at both a macro and micro level, and also identify relevant national and provincial partners to improve the strategic focus of the process. The ultimate goal of the exercise would be to produce realistic and implementation-oriented Local Economic Development Plan that would be aligned to the broader IDP objectives, while optimally utilizing both the local human capital and natural resources in the process.

The success of the programmes to be identified will also depend on the capacity and the level of skills that exist within the municipality and outside. The economic profile identifies education and the skills levels as areas that are lacking. An effort needs to be made to ensure that there are programmes identified that deal with capacity building.

The table below indicates performance highlights in relation to local economic development and planning.

LED PERFORMANCE HIGHLIGHTS

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Agriculture	17 projects were suspended during the time of section 139 interventions.	SIU investigation	End June
Tourism	Wild coast festival funded by DSRAC; LTO launch and CTOs. Data base development:	Waiting for SLA signing	End June
SMME	4 projects: Lujecweni Bakery; Khulani Bakery; Khulani Sewing; Matheko Brick making	Suspended	End June
Forestry	Sinenjongo tree plantation	Suspended	End June

PLANNING, LAND ADMINISTRATION AND HOUSING

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Provision of Low Cost Housing	Completed construction of low cost housing	1624	700
Approval of Building Plans in all areas	Evaluated all applications for building approval	10	50
Inspection of Buildings and Structures	Conducted inspections to buildings at all critical stages of construction	None	On-going
Development Planning	Development of precise Land Tenure System	Planning	Complete
	Development of a Land Use Management Plan	Draft	Complete
	Development of Spatial Development Framework	Draft	Complete

2.1.4 Human Resource and Administration

The organisational analysis and review processes identified serious organizational weaknesses. There was no senior management as these posts were vacant including the Municipal Manager. The Council employed the Municipal Manager in December 2006 and managers reporting directly to the Municipal Manager were employed in March and April 2007. The municipality has subsequently developed and will be implementing a new organizational structure. This has led to increased pressure to increase staff costs. The municipality has sort to balance this with the need to contain expenditure to ensure medium term financial viability. To this end, the municipality will try as much as possible to populate the new organogram with existing staff where skills match the new post. Where recruitment of new people is unavoidable, only critical posts will be filled during the current financial year.

Performance Management system allows management of the institution to consider the required business outcomes on each level in the institution, derived from strategic business objectives. These outcomes are allocated to relevant departments elements for execution. Each activity, institutional element individual down to the lowest in the institution is aligned with the execution of key strategic goals. This approach ensures that individual performance is measured in terms of measurable contribution to the objectives of the institution.

If the system was in place at Qaukeni municipality, it would allow the municipality to specify key Performance indicators for each outcome and link these outcomes to the institutional structure. In 2004's IDP it was mentioned that PMS would be one of municipality's key activities, therefore the development of such system would be prioritized. Service and Budget

Implementation Plan (SDBIP) was not in place in 2006/07 financial year and that made it impossible to measure performance of the institution as there were no performance indicators.

2.1.5 Community and Protection Services

Community services are creating more value to the communities and in that regard are more visible because they focus on bread and butter issues. For an example disaster management plays an important role and is central when the community is more vulnerable and unable to cope.

There are various programs coordinated by this department and council made clear prioritization of them. Issues of traffic and community safety are well placed at the centre of Council programmes. Prevalence of HIV/AIDS is also a concern in the municipal area even though actual statistics on the municipal area at the time of the review, indicate that the HIV point prevalence rate is estimated at 24,5% for women who presented (for the first time during their current pregnancy) in public antenatal clinics during the month of October 2000.

2.1.6 Technical and Infrastructure

Infrastructure and engineering services plays a vital role in the development of urban and rural settlements and has been indicated earlier the main purpose of this section is to assess the existing level of development so as to outline issues or problems that exist in the municipal area. Social and Infrastructure services that will be assessed are those outlined in priorities of different wards. These include water supply, electricity supply, solid waste collection and disposal, storm water drainage and access roads.

Qaukeni local Municipality is not a water service authority. It is also not a water service provider. The district municipality is concerned about the loss of revenue from water supply and the impact on its organizational structure and systems. The water supply and sanitation was the largest account in terms of expenditure and income in the municipality. One of the concerns is the impact on billing system. With the exclusion of water and sanitation on the viability of municipal billing system declines and consumers receive multiple bills for municipal services. Options of a shared billing arrangements with the District municipality and possible with Eskom may need to be investigated.

From the planning and environmental point of view, solid waste is supposed to be collected two days per week in residential area and once a week in peri urban areas. The table below shows the number of times the municipality collects refuse in the area, the number of households that do not have rubbish disposal and those that make use of their own refuse dump sites. Currently the municipality is responsible for collection in towns.

PERFORMANCE HIGHLIGHTS_

ROADS MAINTANANCE

The table below is the list of projects which were implemented under roads maintainance.

TAXI RANKS

The table below show the list of taxi ranks.

PROJECT NAME	BUDGET	STATUS	COMMENTS
Flagstaff taxi rank	R 2 541 913.40	Completing phase 1	
Lusikisiki taxi rank	R 4 066001.00	Constructing phase 2	

INCOMPLETE PROJECTS

These projects consist of access roads and community halls. See table below.

PROJECT TYPE	PROJECT NAME	BUDGET	STATUS	COMMENTS
Access road	Mabofu access road	R 138 396.00	Completed	
Community hall	Qebedu community hall	R 731 522.16	On progress	

CONSTRUCTION OF NEW ROADS

The table below determine the new roads.
See annexure 3.

SECONDARY ROADS

The secondary roads include Lusikisiki secondary roads and Flagstaff secondary roads their budget is R8m which is not enough for tarred roads.

STREET BLADING

This programme was established because of request came to our office for the street to be done which are less than a kilometer and was an inhouse programme. The responsible people for programme was Mr Gaulana , Mr Nceleni and Mr Tshaka.

WARD	ROAD	KM	DATE	STATUS
	Tabazi J.S.S	500m	14/09/05	Done
	Heleni store	2km	14/09/05	Done
	Mketengeni location & Siphageni location (zone 12)	900m	14/09/05	Done

16	Canham location	800m	12/09/05	Done
07	Mthwaku access road	1km	13/09/05	Done
18	Mqhume location	100m	13/09/05	Done
10	Siphaqeni location	1km	1309/05	Done
19	Nxanxadi from stop to school	500m	13/09/05	Done
06	Gabajana location	5.4km	13/09/05	Done
15	Malizole loc Zwelitsha loc.	8.8km 1km	15/09/05	Done
14	St. Dennis sportsfield		16/09/05- 19/05/05	Done
12	Ntlanjana location	9km	22/09/05	Done but taken to MIG

MIG PROJECTS

Our Municipality had received an allocation from MIG for 2006/2007 and 2007/2008 financial year. For us to be able to spend the said budget we need to establish a PMU (Programme Management Unit) which will be based within the Municipality. We also need to prioritize projects that fall within the MIG funding perimeters and such projects should be that of our IDP.

2.2. Backlog in Service Delivery

Refuse Removal Services

Backlog in refuse removal is defined as number of households that do not have access to removal. From the planning and environmental point of view, solid waste is supposed to be collected two days per week in residential areas while those from industrial and commercial areas should be on a daily basis. The table below shows the number of times the municipality collects refuse in the area, the number of households that do not have rubbish disposal and those that make use of their own refuse dumps sites.

Qaukeni Local Municipality is responsible for cleansing and refuse removal, refuse dumps and solid waste management, with cleansing related to waste in public places which includes street cleaning. While waste minimization and recycling is not mentioned it is typically included as part of waste management.

Refuse Removal Table

Refuse Removal	Households
Removal by local authorities at least once a week	996
Removed by local authority less often	269
Communal refuse dump	182
Own refuse dump	36 216
No rubbish disposal	12 717
Total	50 380

2.1.2 Electricity Services

As is the case in the rest of the country, electricity supply nation-wide from Eskom cannot increase significantly until the new R40bn power stations come online in 2010. There is a good opportunity for Eskom or any other service provider (if possible) and exploit the hydro-electric potential of the Umzimvubu Dam and Catchment area. As a result of the huge roll over amount from 2006 into 2007, no new projects are envisaged to be started in 2007. The plan beyond 2007 is a wish list as Eskom does not know the amount that will be put aside per year as from 2007 onwards. Only 13% of the population has access to electricity for lighting and cooking purposes.

Electricity supply table

Type of energy supply	Percentage %
Electricity	13 %
Gas	11%
Paraffin	8%
Candles Solar	77%

According to Eskom R236 million is budgeted to electricity 24 375 households in the municipal area in five years. Areas identified for electrification are listed in the table below.

Year of implementation	Project name	Estimated no of connections	Estimated costs	Costs/ connection
Lusikisiki areas				
2004/05	Lusikisiki Phase 3-	3287	R13 556 900	R4 124
	Rural areas	3247	R12 564 450	R3 869
2005/06	Malizole	498	R1 760 928	R3 536
	Mbotyi	2525	R14 362 250	R5 688

2.1.3 Housing Services

The provision of formal housing for low and middle income residents is the core function of local municipalities. Within the urban areas, housing development is generally occurring, however, within the rural or communal areas, the provision of housing is only beginning to be addressed. The primary constraint with regards to the provision of housing in rural areas relates to issues around land ownership and registration of title. The current housing regulations also fail to make provision for adequate land for making food gardens that these poor households needs for survival. The table below provides an insight on the current status of housing delivery in the municipality.

Project	Total units	Compl. units	O/S units	Total budget	Expenditure to date	Date of approval	Subsidy quantum
Nkozo	300	116	184	9 262 555.00	5 439 595.57	9-07-04	25 800
Mantlani	300	76	224	9 412 555.00	4 758 954.45	9-07-04	25 800
Flagstaff	503	241	262	13 708 753.66	8 623 826.07	1-06-2000	16 000
Lusikisiki	1117	1117	0	18 430 500.00	17 162 149.41	12-12-1997	15 000

CHAPTER 3

Organisational Management Structures

3.1 Office of the Municipal Manager

The office of the Municipal Manager is responsible for the management and accountability in overall performance of the municipality

Key Responsibilities

- a. Governance/ Public Participation, Executive Support and Communication
 - Stakeholder mobilization;
 - Internal and External communication;
 - Corporate image;
 - Service delivery Improvement/ customer care;
 - Support to the Mayor
- b. Internal Audit
 - Risk management;
 - Legislative and Regulatory compliance
- c. Strategic and Operational Planning
 - Integrated Development Planning and Performance Management

Organisational Development

In 2006/07 financial year, the office of the municipal manager had 3 staff members out of 5 posts identified in Council's adopted organogram. The critical post that was vacant in the 2006/07 financial year was the post of the Internal Auditor.

Challenges and Initiatives

Challenges	Initiative
Governance/ Public Participation Strategies were not clearly defined thereby leading to the lack of adherence to governance matters. Several attempts were made to involve communities on matters on governance but some wards were not keeping up with the development program. In numerous incidents, the Council was more on legal disputes than service delivery programs.	Development of the IDP as the strategic plan of the council attempted to make for better understanding of issues of government and involvement of sectors on matters of planning also paved way for councilors to meet with communities so as to meet their obligations. More funding was directed on developmental programs.

<p>Internal Audit</p> <p>Non appointment of the internal auditor and Audit committee limited the scope of performing and responding positively to matters in anticipation to Auditor General's observation.</p>	<p>Fast tracking of institutionalizing these units was viewed as important and initiatives were undertaken to eliminate conflict of interest within the establishment.</p>
<p>Strategic and Operational Planning</p> <p>Lack of institutional sustainability because of less involvement in designing and assessment of all development strategies, projects and programmes developed during the IDP process.</p>	<p>IDP champions and OR Tambo DM were made to commit on delivering strategies that needed to be achieved. Various programs of assistance by the DM were availed as an additional resource to leapfrog development challenges through meaningful strategies.</p>

3.2 Finance

The Department of Finance is responsible for management of municipal finance and promotion of financial viability of the municipality.

Key Responsibilities

- Revenue management
- Budget reform
- Expenditure management
- Assess and liability management
- Investment
- Supply Chain management
- Information technology
- Internship program
- Cash management

Organisational Development

In 2006/07, the department of Finance had 8 staff members, by which the total of 11 posts identified in the council's adopted organogram.

Challenges	Initiative
<p>Revenue Collection</p> <ol style="list-style-type: none"> 1. Inaccurate data in the billing system 2. The implementation of the new billing system 	<ol style="list-style-type: none"> 1.1 the municipality should develop and conduct data cleansing exercise 1.2 the municipality should run two parallel systems, the old one and the new one, so that it will be easy to do reconciliation
<p>Preparation of the budget</p> <ol style="list-style-type: none"> 3. The introduction of the new budget format and the supporting documents. 	<ol style="list-style-type: none"> 1.1. Services should be outsourced to service providers so that the municipality could meet the requirements and skills were transferred during that process. 1.2. Staff should also be sent to accredited training institutions
<p>Budget Expenditure</p> <ol style="list-style-type: none"> 1. Non compliance of payment cycle (cash management) 	<ol style="list-style-type: none"> 1.1. Hold consistent meetings with heads of departments explaining the importance of conforming to the payment cycle to avoid penalties of interest
<p>Asset management</p> <p>Conversion of Asset register to comply with GAMAP and GRAP</p>	<ol style="list-style-type: none"> 1.1. The municipality must link the challenge of conversion with financial statements as a project since the compliance with GAMAP and GRAP was effective from 06/07 financial year.
<p>Investment</p> <p>Non availability of money for immediate utilization or over collection which would result in surplus</p>	<p>Development of financial plan and the project plan so that money can be invested while the project is still in the planning stage.</p>
<p>Supply chain management</p> <p>Implementation of Supply chain management regulations as well as developing Supply chain management policy</p>	<p>The council should adopt SCM policy</p> <p>The staff must be sent to accredited training institutions</p>

Human Resource and Administration

The department of Human Resource and Administration is responsible for development, management and administration of Human Resource.

Key Responsibilities

- Personnel management
- Occupational health and safety
- Recruitment and selection
- Induction
- Employment Equity
- Performance Management System
- Organisational Development
- Human Resource development
- Skills development and training
- Labour relations
- Record management
- Printing and stationery

Organisational Development

In 2006/07 financial year, the Department of Human resource and administration had 21 staff members out of 23 posts identified in the Council's adopted organogram.

Challenges	Initiative
<p>Human Resource services</p> <p>Lack of institutional capacity to make things happen.</p> <p>Lack of baseline information i.e. policies, system management and documents</p> <p>Councilors with limited understanding of functionality of administration</p> <p>Office environment not conducive</p>	<p>The staff and councilors went through various trainings and workshops.</p> <p>The municipality developed a Performance Management System and incentive schemes.</p> <p>Capacity building workshops and team building sessions involving both officials and councilors should be initiated</p> <p>The municipality should start budgeting for new offices.</p>
<p>Secretarial Services</p> <p>Manual recording of files</p>	<p>Development of a recording system</p>
<p>Legal Services</p> <p>Limited capacity to deal with in-house legal matters and limited compliance to legislation</p>	<p>Managers and councilors should be put on relevant training programs as part of the municipal capacity building programme.</p>
<p>Information Technology</p> <p>Compliance with MFMA</p> <p>Delay of establishing website</p> <p>Insufficient IT infrastructure (network and office space)</p>	<p>Request assistance from the District Municipality</p> <p>The municipality took an initiative to develop its website</p> <p>Partnership with the District Municipality</p>

3.4 Community and Protection Services

The department of community and protection services is responsible for delivery of municipal services in public safety, public transport, public facilities and traffic management.

Key Responsibilities

- a. Public safety
 - crime prevention
 - Guarding of municipal property
 - Implementation of access control facilities

- b. Public transport
 - Improve road safety
 - Improve traffic flow in towns
 - Income generation activities
- c. Traffic management
- d. Social development
 - HIV/ AIDS
 - Disaster management

Challenges	Initiative
Public Safety Rape and domestic violence	Establishment of Community Police Forums
Public Transport Inadequate capacity of taxi ranks to accommodate various public transport operators	Create PPP on taxi rank development
Legal Services Limited capacity to deal with in-house legal matters and limited compliance to legislation	Managers and councilors should be put on relevant training programs as part of the municipal capacity building programme.
Traffic management Lack of Vehicle Testing Centre Inadequate staff in the traffic section	Construction of new testing station and training of testing officers budgeting for more staff members for recruiting in the next financial year
Social development Lack of sports facilities within the municipal area	Establishment of local sports federation to integrate resources for more facilities
Provision of health services Limited resources to implement HIV/ AIDS awareness to cope with increasing rate of spread of Aids	Establishment of local Aids council to integrate information

3.6. Technical and Infrastructure Services

In 2006/07 Financial year the department of Technical Services was responsible for delivery of access roads and refuse removal

Key responsibilities

Ensure community access to:

- Water and sanitation services
- Electricity including free basic electricity
- Roads, bridges and storm water
- Social infrastructure

Organisational development In 2006/7 the department of Technical and Infrastructure services had 23 staff members out 29 posts identified in council's adopted organogram.

Employment Equity

Councilors

Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Exco	6	0	0	0	4	0	0	0	10
Councilors	34	0	0	0	20	0	0	0	54
PR Cllrs	10	0	0	0	17	0	0	0	27
Cllrs with disabilities	1	0	0	0	1	0	0	0	2

MUNICIPAL STAFF

Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Officials	41	0	0	0	22	0	0	0	63
Professionals	7	0	0	0	4	0	0	0	11
Technicians	1	0	0	0	0	0	0	0	1
Clerks	7	0	0	0	23	0	0	0	30
Service and sales workers	38	0	0	0	0	0	0	0	38
Plant and machine operators	4	0	0	0	0	0	0	0	4
Elementary Occupations	30	0	0	0	50	0	0	0	80
Total permanent	127	0	0	0	100	0	0	0	227
Non-permanent employees	27	0	0	0	21	0	0	0	48

CHAPTER 4

CONTENTS

Page

General Information	1 – 2
Approval of financial statements	3
Foreword	4
Treasurer’s Report	5 – 8
Accounting policies	9 – 11
Balance sheet	12
Income statement	13
Statement of changes in funds	14
Cash flow statement	15
Notes to the financial statements	16 – 20
Appendices:	
A. Statutory funds, trust funds and reserves	21
B. Analysis of fixed assets	22
C. Analysis of operating income and expenditure	23
D. Detailed income statement	24
E. Statistical Information	25– 26

GENERAL INFORMATION

For the year ended 30 June 2007

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor W Ngozi	Chairperson of the Executive Committee
Councillor NP Jam-Jam	Chairperson of the Institutional and Governance
Councillor D Mjokovana	Member
Councillor JN Sabona	Member
Councillor M Maxhayi	Chairperson of the Infrastructure and Engineering Services
Councillor NF Mtsotso	Chairperson of the Social Needs
Councillor B Nongoma	Chairperson of the Development Planning
Councillor P Dutshana	Chairperson of Finance and Administration
Councillor T Cezula	Member

GRADE OF LOCAL AUTHORITY

Grade 3

AUDITORS

Auditor-General

BANKERS

Meeg Bank

Standard Bank

First National Bank

REGISTERED OFFICE

135 Main Street

FLAGSTAFF

4810

P.O. Box 14

FLAGSTAFF

4810

Telephone: 039 – 252 0131

Facsimile: 039 – 252 0699

MUNICIPAL MANAGER

M. Fihlani

CHIEF FINANCE OFFICER

WN Groom

GENERAL INFORMATION (continued)

~~For the year ended 30 June 2007~~

MEMBERS OF THE INGQUZA HILL LOCAL COUNCIL

Ward	Councillor
Speaker	B Nkani
Party representative	GS Sigcawu
Party representative	NE Sigcawu
Party representative	T Cezula
Party representative	SA Kango
Party representative	A Mtshengu
Party representative	N Myakela
Party representative	N Gexu
Party representative	SH Mpongoma
Party representative	NCB Mngqinelwa
Party representative	NC Ngxokile
Party representative	NM Nkani
Party representative	FJ Cingo
Party representative	V Gwegwe
Party representative	T Sibunge
Party representative	B Joyi
Party representative	NE Mjojeli
Party representative	AN Manda
Party representative	SA Ruleni
Ward 1	D Mjokovana
Ward 2	N Nokuba
Ward 3	N Mjobo
Ward 4	N Jiki
Ward 5	B Mvulana
Ward 6	P Dutshwa
Ward 7	M Maxhayi
Ward 8	B Khotsholo
Ward 9	M Mkhumla
Ward 10	TS Mzoboshe
Ward 11	BB Goya
Ward 12	B Nongoma
Ward 13	M Tenyane
Ward 14	S Maqutywa
Ward 15	X Dingi
Ward 16	N Mkombe
Ward 17	Z Mveku
Ward 18	N Zathi
Ward 19	B Tabalaza
Ward 20	P Ngxamile
Ward 21	N Mjoji
Ward 22	D Thwatshuka
Ward 23	S Nkwakhwa
Ward 24	F Magaya
Ward 25	B Pesa
Ward 26	VN Mhlanga
Ward 27	T Vimba

The annual financial statements set out on pages 1 to 26 were approved by the Municipal Manager on the 29 August 2007.

MUNICIPAL MANAGER
(Accounting Officer)
29 August 2007

CHIEF FINANCE OFFICER
29 August 2007

FOREWORD

For the year ended 30 June 2007

It is my joy and privilege to present this overview for the year under review, the 2006/2007 financial year. Similarly to the previous reporting financial periods, our municipality has continued to face some rather tough challenges of a varying nature even in this financial year.

To take a step back and recap, one would ask as to; what have these challenges been? In providing an answer to the question, we summarise our past and continuous key challenges as follows: A consistent and predictable service delivery to the Ingquza Hill community; our inability to attract and retain the required personnel skills as a means to address and ensure quality service delivery; shortcomings in implementing and sustaining a culture of good corporate governance; A challenge to institute and sustain an effective revenue collection strategy and a challenge to grow our revenue base through innovative yet sustainable revenue growth plan.

It is not difficult to identify the fact that the foregoing key challenges are primarily as a result of two factors. Firstly, this is a result of the crisis that led to the intervention where the MEC invoked section 139 of the Constitution. Secondly and importantly, this is also as a result of our historical inability to attract and retain the type and level of personnel skills necessary to propel this municipality to a higher level of performance.

However, I am delighted to say that we are now beginning to systematically tackle all these challenges with the highest possible vigour and strength and most importantly, the results are beginning to show. We had never in the past able to submit the financial statements to the Auditor General before the due date, but for 2006/2007 financial year we had.

Indeed, the achievement of the foregoing objectives is not only dependant on the administration but is equally reliant on the Council. Therefore, I implore my fellow councilors to wholeheartedly join me in realizing the level of service delivery characterized by good corporate governance that is a dream and wish of every resident of the Ingquza Hill Local Municipality.

On behalf of the Council I would like to express a word of appreciation to the community of the Ingquza Hill Local Municipality and to our varied partners in service delivery at Provincial and National levels. In conclusion, I would like to express my gratitude to the Executive Committee, the Council, the Municipal Manager and his team for their commitment and hard work during the current financial year, trusting that the 2007/08 financial year will be even better.

W Ngozi
Mayor and Chairperson of the
Executive Committee

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

TREASURER'S REPORT

For the year ended 30 June 2007

1. REVIEW OF OPERATING RESULTS

Tabulated here below are the highlights of the operating results in respect of the year ended 30 June 2007. Detailed operating results are presented on Appendices C and D. The reported budget figures represent the revised budget figures.

INCOME	Budget 2007	Actual 2007	Variance Budget Actual /	Actual 2006
Grants and Subsidies				
Central Government	41 215 000	41 215 489	(489)	35 335 905
Provincial Government	12 284 000	10 851 652	1 432 348	8 796 428
Other		-	-	-
Operating Income				
Assessment Rates	2 534 478	4 936 857	(2 402 379)	1 942 516
Refuse Removal	28 929	289 115	(260 186)	253 805
Other Income	22 310 778	13 686 444	8 624 334	2 846 854
Transfer from reserves		-	-	-
	78 373 185	70 979 557	7 393 628	49 175 507
EXPENDITURE				
Salaries, wages and allowances	34 032 522	29 627 862	4 404 660	20 625 185
General Expenses	22 297 031	32 807 199	(10 510 168)	25 004 549
Bad debts	-	-	-	-
Repairs and Maintenance	2 677 133	1 294 185	1 382 948	2 358 212
Contributions to Fixed Assets	19 366 499	16 355 021	3 011 478	29 593 988
	78 373 185	80 084 267	(1 711 082)	77 581 934
(Deficit) / Surplus	-	(9 104 710)	5 682 546	(28 406 427)

TREASURER'S REPORT (continued)

For the year ended 30 June 2007

1. REVIEW OF OPERATING RESULTS (continued)

1.1 Commentary on the operating results

Income

Grant subsidies (Central and Provincial Government combined) are just R1 431 859 less than budgeted and more by (2006: R 5 242 333). Actual rates and refuse removal income exceeded the budget by R 2 662 565 (2006: R1 141 367). Other income is R8 624 334 worse off than budgeted. The negative variance on other income is attributable to other loans anticipated not being received.

Operational expenditure

Total budgeted operational expenditure amounted to R59 006 686 (2006: R52 576 294) and the capital expenditure budgeted amounts to R19 366 499 (2006: R48 819 623) resulting in a total expenditure budget of R78 373 185 (2006: R101 395 917). Actual operational expenditure is R63 729 246 (2006: R47 987 946) and actual capital expenditure is R16 355 021 (2006: R29 593 988) with a total actual expenditure of R80 084 261 (2006: R77 581 934).

The operational budget was overspent by 7%. There was savings of R4.4m in salaries, wages and allowances as a result of unfilled vacancies and that some vacancies were filled late towards the end of the financial year. The R1.38m savings in repairs and maintenance is related to a high level of expenditure on access roads (capital expenditure) resulting in a substantially reduced need for immediate access road maintenance. The R10.5m overspending in general expenses is due to provincial imbizos and council functions held during the current financial year.

TREASURER'S REPORT (continued)
For the year ended 30 June 2007

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

Total fixed asset additions during the year amounted to R16 355 021 (2006: R29 593 988). They are made up as follows:

Capital expenditure category	Budget 2007	Actual 2007	Variance Budget / Actual	Actual 2006
Land & Buildings	879 835	73 967	805 868	312 909
Furniture and Fittings	812 250	53 020	759 230	5 263
Pit Shelter, Offices & Testing centre	-	-	-	122 678
Motor Vehicles	1 966 117	-	1 966 117	1 762 818
Tools, Plant and Equipment	201 333	161 743	39 590	-
Office equipment	-	-	-	108 975
Sports Fields & Recreation Centres	-	123 864	(123 864)	-
Community Centres	1 598 766	232 727	1 366 039	898 753
Local Economic Development	497 750	354 039	143 711	-
Computer equipment	-	145 822	(145 822)	225 735
Land Fill Sites	520 713	852 226	(331 513)	3 278
Upgrading of Taxi and Bus Ranks Cemetery	-	-	-	811
Various Projects	12 914	14 023 688	(1 109 153)	-
Road Construction - Access Roads	535	333 929	(333 929)	22 878
Electrical Infrastructure Informal traders facilities	-	-	-	046
	19 391 300	16 355 025	3 036 275	29 593 988

TREASURER'S REPORT (continued)
For the year ended 30 June 2007

2. CAPITAL EXPENDITURE AND FINANCING (continued)

Resources used to finance fixed assets were as follows:

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

Contributions from:	Budget 2007	Actual 2007	Variance Budget / Actual	Actual 2006
Grants and subsidies	19 391 300	16 355 021	3 011 478	29 593 988

2.1 Commentary on capital expenditure and financing

In the current financial year, we spent 82% (2006: 61%) of the total capital budget of R 19 391 300. A substantial portion of the capital expenditure went to the construction of access roads being R14m, followed by the upgrading of taxi and bus rank at R0.85m and computer equipment at R0.35m.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

The municipality has no external loans.

4. POST BALANCE SHEET EVENTS

No material events have occurred since the balance sheet date.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive committee of the Council, the Council, the Municipal Manager for the support they have given me and to the staff of the Finance Department and the local representatives of the Auditor-General for their assistance and support during the year.

WN Groom
Chief Finance Officer

29 August 2007

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

ACCOUNTING POLICIES

For the year ended 30 June 2007

BASIS OF PRESENTATION

These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second edition – January 1996 as amended).

The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 5. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

The financial statements are prepared on the accrual basis:

Income is accrued when measured and available to finance operations. Certain direct income is accrued when received, such as fines and certain licenses.

Expenditure is accrued in the year it is incurred.

REVENUE

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at approved monthly flat rates. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognized as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

3. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

To the extent that they affect previously disclosed financial information (amounts), changes in accounting policies are accounted for with retrospective effect resulting in a restatement of previously disclosed retained surplus or accumulated deficit and comparatives as applicable. Changes in accounting estimates have no retrospective effect and these are accounted for by adjusting current year and future accounting estimates. Where changes in estimates have a fundamental effect on the current year financial information, these are disclosed as abnormal items. Fundamental prior year errors are corrected

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

through a prior year adjustment entry restating the previously disclosed retained surplus or accumulated deficit with a restatement of comparatives. The nature of the error and the impact of the correcting entry are briefly explained in the correcting note. For completeness purposes, a further note depicting the previously disclosed amounts against the corrected amounts is disclosed.

ACCOUNTING POLICIES

For the year ended 30 June 2007

ACCUMULATED SURPLUS

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

5. TRUST FUNDS

Trust funds are representative of external funding received and set aside for specific projects. Receipts into and disbursements out of these trust funds only impact the relevant trust fund account and the equivalent trust fund bank account with no impact on the rest of the municipality's financial information as the funds are held in trust.

6. PROJECT FUNDS

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

7. FIXED ASSETS

Fixed assets are stated at cost or valuation where assets have been acquired by grant or donation, while they are in existence and fit for use.

7.2 Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however certain structural

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

differences do exist. Through this “provision” assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the “Loans Redeemed and other Capital Receipts” accounts.

7.3 Fixed assets are financed from different sources of funding which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

7.4 All net proceeds from the sale of fixed assets are credited to the revolving fund.

8. INVESTMENTS

Investments are stated at the lower of cost or market value if a permanent decline in the value has occurred.

ACCOUNTING POLICIES

For the year ended 30 June 2007

8. PROVISIONS

Provisions are recognized when the municipality has a present or a constructive obligation as a result of past events and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

9. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering all employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme’s trustees. The municipality’s contributions to the defined contribution fund are charged to the income statement during the year to which they relate.

10. IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with the provisions of the Municipal Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure means expenditure incurred not in accordance with the municipality's authorization process and levels. All unauthorized expenditure is charged against income in the period in which it is incurred.

12. POST BALANCE SHEET EVENTS

Post balance sheet events are classified into two categories; material events occurring after the balance sheet date that confirm the accurate position of disclosed financial information at the balance sheet date and those events occurring after the balance sheet date with no impact on the financial information disclosed at the balance sheet date yet material enough for the appreciation of the financial statements as a whole. In respect of the former category, adjustments are made to the balance sheet and in respect of the latter category appropriate disclosure is made in the treasurers' report stating the nature and the impact and the timing of the event.

BALANCE SHEET
As at 30 JUNE 2007

2007

2006

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

	Notes	R	R
CAPITAL EMPLOYED			
Accumulated Surplus		8 784 024	18 085 531
Trust Funds	1	-	-
Project Funds	2	8 996 942	1 887 448
		<u>17 780 967</u>	<u>19 972 979</u>
EMPLOYMENT OF CAPITAL			
Fixed Assets	3	-	-
Net Current Assets		<u>17 780 967</u>	<u>19 972 979</u>
Current Assets			29 444 076
Debtors	4	<u>10 204 981</u>	<u>16 311 987</u>
Short-term investments	5	<u>17 798 436</u>	<u>11 033 288</u>
Bank and cash	6	<u>2 803 234</u>	<u>2 098 801</u>
Current Liabilities		13 025 683	9 471 097
Provisions	7	<u>2 192 785</u>	<u>1 783 517</u>
Creditors	8	<u>9 221 775</u>	<u>7 687 580</u>
VAT	9	<u>1 611 124</u>	-
		<u>17 780 967</u>	<u>19 972 979</u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

INCOME STATEMENT
For the year ended 30 June 2007

2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R		2007 Actual Income R	2007 Actual expenditure R	2007 Surplus/ (deficit) R	2007 Budget R
49 175			RATES & GENERAL	70 97979	734		
507	77 581 934	12 793 349	SERVICES	557	461	(9 104 710)	78 373 18
48 921			Community	70 69080	084		
703	72 306 476	(23 384 773)	services	442	267	(9 393 825)	66 635 37
253 804	5 275 458	(5 021 654)	Economic Services	289 115		289 115	11 737 81
<hr/>				<hr/>			
49 175			TOTAL	70 97980	084		
507	77 581 934	(28 406 427)		557	267	(9 104 710)	78 373 18
<hr/>				<hr/>			
		(28 406 427)	Net surplus / (deficit) for the year			(9 104 710)	
	48 639 810		Accumulated surplus at the beginning of the year			17 888 734	
	(2 147 852)		Prior year adjustment			-	
	46 491 958		Restated accumulated surplus at the beginning of the year			-	
			ACCUMULATED SURPLUS AT THE END OF THE YEAR				
	<u>18 085 531</u>					<u>8 784 024</u>	

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

STATEMENT OF CHANGES IN FUNDS For the year ended 30 June 2007

	Note	Funds	Accumulated surplus	Total
Balance at 30 June 2006		1 887 448	18 085 532	19 972 979
Deficit for the year		-	(9 255 209)	(9 255 209)
Advances and interest received		32 598 877	-	32 598 877
Withdrawals		(25 489 382)	-	(25 489 382)
Balance at 30 June 2007		<u>8 996 943</u>	<u>8 830 322</u>	<u>17 827 265</u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

CASH FLOW STATEMENT

For the year ended 30 June 2007

	Note	2007	2006
		R	R
OPERATING ACTIVITIES			
Cash generated / (utilised) from operations	13	6 601 050	(291 461)
Interest received		452 465	1 479 022
Interest paid		-	-
Decrease / (increase) in working capital	14	9 661 593	(4 830 885)
Net cash (used in) / retained from operating activities		<u>16 715 108</u>	<u>(3 643 324)</u>
NET CASH USED IN INVESTING ACTIVITIES			
Investment in fixed assets		(16 355 021)	(29 593 988)

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

NET CASH USED IN FINANCING ACTIVITIES

Increase / (Decrease) in trust funds and project funds	7 109 495	(1 757 741)
Net (decrease) / increase in cash and cash equivalents	<u>7 469 581</u>	<u>(34 995 053)</u>
Cash and cash equivalents at the beginning of the year	13 132 089	48 127 142
Cash and cash equivalents at the end of the year	<u>20 601 670</u>	<u>13 132 089</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

	2007 R	2006 R
1. TRUST FUNDS		
Pilot Housing Fund	<u>-</u>	<u>-</u>
2. PROJECT FUNDS		
Natis Fund	<u>410 854</u>	<u>1 063 549</u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

Tourism Fund	-	400 380
Disbursement Fund	3 086	16 316
503 Housing Fund	310 443	323 296
Traffic testing fund	8 272 561	83 907
	<u>8 996 943</u>	<u>1 887 448</u>
3. FIXED ASSETS		
Fixed assets at the beginning of year	43 392 302	13 798 314
Capital expenditure during the year	<u>16 355 021</u>	<u>29 593 988</u>
Total fixed assets	59 747 323	43 392 302
Less: Contributions from revenue contributions	(8 129 741)	(8 129 741)
Contributions from grants and subsidies	<u>(51 617 582)</u>	<u>(35 262 561)</u>
Net fixed assets	<u>-</u>	<u>-</u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

For the year ended 30 June 2007

	2007 R	2006 R
4. DEBTORS		
Customer debtors		
Rates and refuse	10 131 154	6 734 623
Provision for bad debts	<u>(7 597 563)</u>	<u>(5 944 309)</u>
	<u>2 533 591</u>	<u>790 314</u>
Sundry debtors		
VAT	-	9 812 728
Other debtors	1 365 141	2 139 632
Payroll Debtors	2 711 389	
Employee debtors	<u>39 389</u>	
	<u>4 115 919</u>	<u>11 952 360</u>
 O.R. Tambo District Municipality This amount relates to water, sanitation and sewerage debtors which were transferred to the O.R. Tambo District Municipality	 5 091 983	 5 105 835
Provision for bad debts	<u>(1 536 513)</u>	<u>(1 536 513)</u>
	<u>3 555 470</u>	<u>3 569 322</u>
	<u>10 204 981</u>	<u>16 311 996</u>
5. SHORT – TERM INVESTMENTS		
Unlisted		
Equitable Share	-	189 548
Disbursement Fund	3 086	16 316
Pilot Housing Fund		-
Traffic Testing Fund	30 063	83 907
Natis Fund	410 854	1 063 549
Tourism Fund	-	400 380
Integrated Development Plan	-	30 146
Lusikisiki council members – account no. 1	9 771	2 870 985
Lusikisiki council members – account no. 2	8 537	1 699 907
Stanlib income account	-	1 214 001
Municipal investment account	9 075 509	2 324 416
Standard bank call	<u>3 597</u>	<u>805 352</u>
First National Bank Fixed Deposit – Account	-	128 578

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

No.2		
503 Low Cost Housing account	10 522	10 380
First National Bank Fixed Deposit – Account		
No.1	-	186 075
Meeg 918 060 8634	2 004	-
Meeg 918 084 4733	8 242 490	-
Meeg 918 072 0799	2 004	-
First National Bank 32 Day Notice Deposit	-	9 748
	<u>17 798 436</u>	<u>11 033 288</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2007

	2007 R	2006 R
6. BANK AND CASH	<u>2 803 234</u>	<u>2 098 801</u>
7. PROVISIONS		
Audit fees	780 000	706 534
Accounting fees	600 000	110 000
Service Bonus (13 th cheque)	481 393	345 342
Leave pay	331 392	621 641
	<u>2 192 785</u>	<u>1 783 517</u>
8. CREDITORS		
Trade creditors	6 797 829	3 994 430
Sundry creditors	451 362	1 451 395
Payroll creditors	1 446 721	2 241 764
Accruals	749 728	
	<u>9 221 775</u>	<u>7 687 589</u>
9. OTHER CREDITORS		

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

VAT	<u>1 611 124</u>	<u>-</u>
10. AUDITORS' REMUNERATION		
Audit fees – current year provision	<u>563 466</u>	<u>-</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2007

	2007 R	2006 R
11. COUNCILLORS' ALLOWANCES		
Mayors' allowances	509 993	20 608
Councillors' allowances	6 997 640	1 245 514
Council pension contributions	<u>1 249 996</u>	<u>186 755</u>
	<u>8 757 629</u>	<u>1 452 877</u>
		<u> </u>
		<u> </u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2007

	2007 R	2006 R
13. CASH (UTILISED) / GENERATED FROM OPERATIONS		
(Deficit) / surplus for the year	(9 104 710)	(28 406 427)
Adjustment for:		
Prior year adjustment	(196 797)	-
Capital expenditure	16 355 021	29 593 022
Interest paid	-	-
Interest received	(452 465)	(1 479 022)
	<u>6 601 050</u>	<u>(292 427)</u>
14. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / decrease in debtors	6 107 015	1 772 198
(Decrease) / increase in creditors	3 145 310	(6 194 597)
Increase in provisions	409 268	4 053 605
	<u>9 661 593</u>	<u>(368 793)</u>

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

APPENDIX A: TRUST FUNDS AND PROJECT FUNDS

	Balance at 30 June 2006	Prior year adjustment	Interest on investments	Contributions during the year	Expenditure during the year	Balance at 30 June 2007
TRUST FUNDS						
Pilot Housing Fund	-	-	-	597	-	-
TOTAL	-	-	-	597	-	-
PROJECT FUNDS						
Natis Fund	1 063 549	-	31 002	1 557 860	(2 241 557)	410 854
Tourism Fund	400 380	-	7 110	-	(407 490)	-
Disbursement Fund	16 316	-	26 947	13 000 044	(13 040 222)	3 085
503 Housing Fund	323 296	-	918	-	(13 771)	310 443
Testing centre fund			84 770	12 157 720	(4 000 000)	8 242 490
Meeg project funds			8			8
Traffic Testing Fund	83 907	-	5 036	5 727 462	(5 786 342)	30 063
	1 887 448	-	155 791	32 443 086	(25 489 382)	8 996 943
GRAND TOTAL	1 887 448	-	155 791	32 443 086	(25 489 382)	8 996 943

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07



APPENDIX B: ANALYSIS OF FIXED ASSETS

		Budget	Balance at	Expenditur	Redeemed,	Balance at
		2007	30 June	during year	transferred,	30 June
		R	2006	R	written off	2007
			R		R	R
		19 39143	392			
93 988	Rates and General Services	300 302		16 355 021 -		59 747 323
		19 39143	392			
93 988	Community services	300 302		16 355 021 -		59 747 323
909	Land and buildings	879 835	1 772 461	73 967	-	1 846 428
3	Furniture and fittings	812 250	1 354 767	53 020	-	1 407 367
	Plant and equipment	-	3 390 068	95 594	-	3 485 662
2 818	Motor vehicles	1 966 117	4 353 654	-	-	4 353 654

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

	Electrical infrastructure	-	3 406	333 926	-	337 332
	General improvements		561 442	-	-	561 442
	Tools and equipment	201 333	78 686	66 149	-	144 835
	Administration infrastructure		737 671	-	-	737 671
975	Office equipment		641 166	354 039	-	995 205
	Mayoral gown		1 382	-	-	1 382
	Sports fields & recreation centres		-	-	-	-
753	Community centres		1 240 812	123 864	-	1 364 675
	Local economic development	1 598 766	-	232 727	-	232 727
735	Computer equipment	497 750	290 735	-	-	290 735
	Land fill sites		263 158	145 822	-	408 980
8 811	Upgrading of taxi and bus ranks	520 713	4 043 822	852 226	-	4 896 048
	Township development		976 711	-	-	976 711
	Cemetery		-	-	-	-
	Various projects		-	-	-	-
	Road Construction - access	12 914	23 491	-	-	37 515
78 046	Roads	535	589	14 023 688	-	277
	Road signs		58 557	-	-	58 557
578	Pit shelter, offices & testing centre		122 678	-	-	122 678
	Informal traders facilities		9 537	-	-	9 537

		19	39143	392		
93 988	TOTAL FIXED ASSETS	300	302	16 355 021 -		59 747 323

		19	39143	392		
93 988	AND OTHER CAPITAL RECEIPTS	300	302	16 355 021 -		59 747 323

	Revenue contributions	-	8 129 741	-	-	8 129 741
93 988	Grants and subsidies	19 391	35 262	16 355 021 -	-	51 617
		300	561			582

	NET FIXED ASSETS	-	-	-	-	-
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QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

APPENDIX C: ANALYSIS OF OPERATING INCOME AND EXPENDITURE

Actual 2006 R	INCOME	Actual 2007 R	Budget 2007 R
44 132 333	Government Grants & Subsidies:	52 067 141	53 499 000
35 335 905	Central government	41 215 489	41 215 000
8 796 428	Provincial government	11 351 652	12 284 000
5 043 174	Other		
1 942 516	Operating Income:	18 912 416	24 401 790
253 804	Assessment rates	4 936 857	2 534 478
2 846 854	Refuse	289 115	28 929
	Other Income	13 686 444	21 835 383
-	Transfer from reserves	-	-
49 175 507	TOTAL INCOME	70 979 557	78 373 185
Actual 2006 R	EXPENDITURE	Actual 2007 R	Budget 2007 R
47 987 946	Total operational expenditure:	63 729 246	59 006 686
20 625 185	Salaries, wages and allowances	29 627 862	34 032 522
25 004 549	General expenses	32 807 199	22 297 031
2 358 212	Bad debts	-	-
	Repairs and maintenance	1 295 051	2 677 133
29 593 988	Contributions to fixed assets	16 355 021	19 366 499
77 581 934	GROSS EXPENDITURE	80 084 267	78 373 185
75 581 934	NET EXPENDITURE	80 084 267	78 373 185

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

(28 406 427)

NET (DEFICIT) / SURPLUS

(9 104 710)

-

APPENDIX D: DETAILED INCOME STATEMENT

2006 Actual income R	2006 Actual expenditure R	2006 Surplus/ (deficit) R		2007 Actual income R	2007 Actual expenditure R	2007 Surplus/ (deficit) R	2007 Budget R
49 175		(28 406 427)	<u>RATES & GENERAL SERVICES</u>				101 397
507	77 581 934	427					917
48 921		16 087	<u>Community services</u>				
703	72 306 476	850		70 690 442	68 346 917	(2 343 525)	94 058 92
1 942 516	-	1 942 516	Assessment rates	4 936 857	-	4 936 857	
		(7 850)				(10 900)	
	7 850 731	731)	Council		10 900 985	985)	12 001 29
		(4 310)					
	4 310 617	617)	Office of the mayor		2 376 357	(2 376 357)	2 578 516
		(2 961)					
	2 961 851	851)	Municipal manager		4 887 897	(4 887 897)	2 636 165
		(6 945)					
	6 945 697	697)	Administration		6 298 002	(6 298 002)	7 201 207
46 979		38 516					
187	8 462 403	784	Finance	65 735 585	15 799 181	49 954 404	13 375 91
		(1 808)					
	1 808 000	000)	Human resources		2 230 885	(2 230 885)	2 050 130
		(1 945)					
	1 945 664	664)	Local economic		1 052 592	(1 052 592)	1 980 638

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

	455 906	664) (455 906)	development Land and housing		602 305	(602 305)	389 753
	4 771 412	(4 771 412)	Community safety Parks, cemetery		5 443 586	(5 443 586)	19 205 59
	751 225	(751 225)	and pound,		778 773	(778 773)	-
	32 042 970	(32 042 970)	Infrastructural development		17 979 855	(17 979 855)	16 953 97

253 804	5 275 458	5 021 654)	Economic services	289 115	11 737 350	(11 448 234)	(7 336 996)
253 804	5 275 458	(5 021 654)	Refuse removal	289 115	11 737 350	(11 448 234)	7 336 996

49 175		(28 406					101 3
507	77 581 934	427	TOTAL	70 979 557	80 084 267	(9 104 710)	917

(28 406		
427	Net surplus / (deficit) for the year	(9 104 710)

48 639	Accumulated surplus at the beginning of	
810	the	17 888 734
	year	
(2 147		
852)	Prior year adjustment	-

46 491	Restated accumulated surplus at the	
958	beginning	-
	of the year	

18 085	ACCUMULATED SURPLUS AT THE END	
531	OF THE YEAR	8 784 024

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

APPENDIX E: STATISTICAL INFORMATION

GENERAL STATISTICS

1. Population

Age group	Age group as percentage of total	Total Population	Males	Females
0 – 4	13.9%	35 588	17 809	17 779
5 – 14	32.3%	82 696	41 047	41 649
15 – 34	30.4%	77 542	34 601	42 941
35 – 64	17.7%	45 280	17 023	28 257
65	5.7%	14 269	4 789	9 480
	100%	255 375	115 269	140 106

2. Assessment rates

2.1 Property valuation and assessment rates

	Valuation as at July 2004	Actual income 2004
	R	R
State	17 146 145	325 777
Residential	43 761 749	831 473
Commercial	57 238 763	1 087 537
	118 146 657	2 244 787

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

General Valuation 1991

Interim valuation 2004

The basic assessment rate is 1.9 cents per rand.

APPENDIX E: STATISTICAL INFORMATION (continued)

GENERAL STATISTICS

2. Population

2.2 Number of properties

	Total number of properties	Non valued	Non rated	Net rateable number of sites
Residential property	1 323	190	21	1 112
Commercial property	57	2	-	55
Total	1 380	192	21	1 167

Annexure 1

List of powers and functions of the municipality

Powers and functions

Schedule 4 Part B	Schedule 5 Part B
Air pollution	Beaches and amusement facilities
Building regulations	Billboards and the display of advertisements in public places
Child care facilities	Cemeteries, funeral parlours and crematoria
Electricity and gas reticulation	Cleansing
Fire fighting services	Control of public nuisances
Local tourism	Control of undertakings that sell liquor to the public
Municipal airports	Facilities for the accommodation, care and burial of animals
Municipal planning	Fencing and fences
Municipal health services	Licensing of dogs
Municipal public transport	Licensing and control of undertakings that sell food to
Municipal public works	
Pontoons, ferries, jetties, piers and harbours,	
Storm water management systems in built-up areas	

QAUKENI LOCAL MUNICIPALITY ANNUAL REPORT 2006/07

<p>Trading regulations</p> <p>Water and sanitation services</p>	<p>the public</p> <p>Local amenities</p> <p>Local sport facilities</p> <p>Markets</p> <p>Municipal abattoirs</p> <p>Municipal parks and recreation</p> <p>Municipal roads</p> <p>Noise pollution</p> <p>Pounds</p> <p>Public places</p> <p>Refuse removal, refuse dumps and solid waste disposal</p> <p>Street trading</p> <p>Street lighting</p> <p>Traffic and parking</p>
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