

APPENDIX A
OVERSTRAND MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

	Loan Number	Redeemable	Balance at 30/06/2007 R	Received during the period R	Redeemed/written off during period R	Balance at 30/06/2008 R	Other costs in accordance with MFMA R
ANNUITY LOANS							
DBSA @ 8.871%	13535/102	2020	4 083 266		314 097	3 769 168	
DBSA @ 9.171%	13543/101	2019	3 556 991		273 615	3 283 377	
DBSA @ 9.171%	13761/101	2020	3 520 047		260 744	3 259 303	
DBSA @ 12.00%	10450/1	2017	945 868		52 322	893 546	
DBSA @ 8.42%	102169/1	2022	16 996 176		527 117	16 469 059	
RAND MERCHANT @ 10.219%		2008	14 402 779		2 902 401	11 500 378	
INCA @ 12.82%		2012	14 039 299		1 890 887	12 148 411	
Total annuity loans			57 544 426	0	6 221 183	51 323 243	0
TOTAL EXTERNAL LOANS			57 544 426	0	6 221 183	51 323 243	0

OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008											
	Cost				Accumulated Depreciation				Carrying Value R	Budget Additions 2008 R	
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R			Closing Balance R
Infrastructure											
Access control	820 638				820 638	346 951	121 302		468 253	352 386	6 349 085
Car parks	1 640 503	6 132 298	298 210		8 071 011	273 781	130 481		404 263	7 666 748	1 755 700
Fencing	3 408 858	1 689 923			5 098 781	1 370 740	719 113		2 089 853	3 008 928	3 560 700
Footways	3 036 765	3 386 707			6 423 472	251 913	154 332		406 245	6 017 227	200 000
Kerbing	545 497	200 572			746 069	58 237	27 275		85 512	660 557	8 333 629
Load Control Equipme	8 821 211	8 745 816			17 567 028	702 466	402 592		1 105 057	16 461 970	3 900 000
Mains electrical	19 840 023	3 094 602			22 934 625	2 403 560	914 011		3 317 572	19 617 054	2 750 000
Mains water	8 254 498	3 392 717			11 647 215	464 929	400 001		864 930	10 782 285	900 000
Meters electrical	3 510 785	802 178			4 312 963	354 847	110 879		465 725	3 847 237	
Meters water	219 215				219 215	102 588	13 961		116 549	102 666	
Motionways	1 735 216				1 735 216	354 837	115 681		470 519	1 264 698	
Outfall sewers	543 897				543 897	319 290	27 195		346 485	197 412	
Paving	1 002 409	964 363			1 986 771	66 247	50 120		116 368	1 870 403	286 000
Purification works	10 780 703	600 000	21 434 119		32 814 822	2 592 865	541 535		3 134 400	29 680 422	1 020 000
Rights - water	2 360 000				2 360 000	590 000	118 000		708 000	1 652 000	23 280 600
Other roads	45 293 429	11 114 556	2 695 831		59 103 817	14 260 655	4 285 576		18 546 231	40 557 586	14 195 974
Security system	292 199				292 199	209 751	33 634		243 384	48 815	
Sewers	53 731 634	4 475 656	4 480 964		62 688 254	24 560 229	2 684 082		27 244 311	35 443 943	8 846 100
Road Signage	64 145				64 145	25 658	12 829		38 487	25 658	
Speed Control	293 329				293 329	173 630	29 333		202 963	90 366	
Sewerage pumps	4 213 983	1 003 516			5 217 498	276 118	215 167		491 284	4 726 214	891 100
Street lighting	4 370 015	650 515			5 020 530	529 734	175 032		704 766	4 315 764	600 000
Supply/reticulation Ele	39 474 204	22 258 533	1 846 598		63 579 335	12 321 117	1 866 568		14 187 685	49 391 650	25 058 200
Supply/reticulation Wa	31 849 270				31 849 270	9 756 173	1 594 023		11 350 196	20 499 074	
Stormwater drains	31 090 581	6 009 449	2 945 671		40 045 701	3 655 142	1 533 974		5 189 116	34 856 586	9 322 043
Switchgear	3 745 999	771 495			4 517 493	0	276 658		276 658	4 240 835	771 500
Reservoirs & tanks	33 986 076	4 572 381	7 504 264		46 062 721	10 399 030	1 496 378		11 895 408	34 167 313	11 320 700
Transformer kiosks	6 785 243				6 785 243	1 102 708	226 175		1 328 883	5 456 360	
Traffic lights	112 782	399 984			512 766	37 730	5 639		43 369	469 397	400 000
	321 823 109	80 285 259	41 205 658	0	443 314 026	87 560 927	18 281 545	0	105 842 472	337 471 554	123 741 331

APPENDIX B OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008										
	Cost				Accumulated Depreciation				Carrying Value R	Budget Additions 2008 R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R		
Community Assets										
Beach development	823 044				823 044	55 983	21 405		77 389	745 656
Care centres	551 776				551 776	46 372	18 393		64 765	487 011
Cemeteries	457 711				457 711	88 024	15 221		103 245	354 466
Community centres	9 431 526	5 588 690	1 148 261		16 168 477	389 812	154 760		544 572	15 623 905
Fire stations	326 444	94 705			421 149	18 636	10 881		29 517	391 631
Floodlighting	900 966				900 966	33 706	45 048		78 755	822 212
Golf courses	402 194				402 194	341 865	20 110		361 975	40 219
Clinics/hospitals	1 295 310				1 295 310	508 124	43 177		551 301	744 009
Jukskei pitches	6 949				6 949	5 906	347		6 254	695
Libraries	3 630 670				3 630 670	436 634	121 022		557 656	3 073 014
Museums	95 999				95 999	3 200	3 200		6 400	89 599
Outdoor sports	3 580 972	3 542 297			7 123 269	667 431	250 315		917 746	6 205 523
Parks	631 904				631 904	38 400	21 728		60 129	571 776
Public conveniences	2 475 980	504 333	276 377		3 256 690	620 775	86 390		707 165	2 549 525
Recreation centres	3 865 680				3 865 680	1 578 818	135 646		1 714 464	2 151 216
Slipways	579 526	813 347			1 392 873	0	28 976		28 976	1 363 897
Stadiums	239 330	334 572			573 901	84 576	7 978		92 553	481 348
Swimming pools	226 924		2 936 850		3 163 774	42 372	9 680		52 052	2 915 500
Tennis courts	224 200	100 000			324 200	190 570	11 627		202 197	100 000
	29 747 106	10 977 944	4 361 488	0	45 086 537	5 151 206	1 005 904	0	6 157 110	38 929 428
Heritage Assets										
Heritage buildings	1 088 522				1 088 522				0	1 088 522
	1 088 522	0	0	0	1 088 522	0	0	0	0	1 088 522
Land and Buildings										
Land	34 895 323				34 895 323				0	34 895 323
	34 895 323	0	0	0	34 895 323	0	0	0	0	34 895 323

OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008										
	Cost				Accumulated Depreciation				Carrying Value R	Budget Additions 2008 R
	Opening Balance R	Additions R	Under Construction R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R		
Other Assets										
Air conditioner	181 594			181 594	108 149	24 482		132 630	48 963	
Caravan Parks	4 795 589			4 795 589	2 566 054	159 853		2 725 907	2 069 681	
Computer hardware	4 715 373	2 066 667		6 317 010	4 402 248	94 737	465 030	4 031 956	2 285 054	2 100 000
Compacting Stations	7 228 785			7 228 785	1 347 572	240 959		1 588 532	5 640 253	
Radio equipment	1 123 075	271 113		1 394 187	1 123 075	5 074		1 128 149	266 039	277 000
Fire Equipment	75 865	201 956		277 821	10 115	5 058		15 173	262 648	202 000
General plant	7 303 607	1 818 173	154 657	9 276 438	2 675 423	980 303		3 655 726	5 620 712	2 110 344
Household refuse	138 811	149 150		287 961	101 795	56 965		158 760	129 201	150 000
Hostels - workers	258 055			258 055	92 621	4 627		97 248	160 806	
Houses - municipal	765 597			765 597	393 259	25 520		418 779	346 818	
Housing schemes	27 828 104	2 239 011		30 067 115	10 218 097	927 603		11 145 701	18 921 414	9 340 000
Irrigation systems	69 837			69 837	21 635	4 324		25 959	43 878	
Miscellaneous furniture	3 047 152	2 245 364		5 292 516	3 047 152	8 943		3 056 095	2 236 421	90 000
Office building	23 870 062	208 777	783 150	24 861 989	3 880 711	835 673		4 716 385	20 145 604	1 017 440
Office machines	336 770			336 770	336 770			336 770	0	
Other Land	239 794			239 794	54 583	7 977		62 560	177 234	
Tip sites	2 765 926			2 765 926	208 486	52 629		261 095	8 556 817	6 490 000
Training Facilities	25 000	131 408	5 920 578	8 817 912	1 667	833		2 500	22 500	
Transport Facilities	629 729			629 729	85 719	26 386		112 105	517 624	
Vehicles	8 821 863	3 307 054		12 128 917	1 520 473	1 648 809		3 169 283	8 959 635	665 483
Vehicles: Fire Engines	704 573			704 573	446 445	32 266		478 711	225 862	
Vehicles: Graders	527 065			527 065	465 969	23 155		489 125	37 940	
Vehicles: Mechanical H	693 618			693 618	202 733	49 088		251 821	441 796	
Vehicles: Trucks/bakki	14 376 881	2 917 702		17 294 584	9 968 924	1 713 299		11 682 223	5 612 361	2 917 706
Vehicles: Tractors	850 959			850 959	426 211	89 146		515 358	335 601	
Workshop/Depots	1 811 266	208 247	199 660	2 219 173	177 302	63 007		240 308	1 978 864	410 000
	113 184 948	15 764 622	7 058 046	135 542 586	43 883 170	7 080 719	465 030	50 498 859	85 043 726	25 769 973
Total	500 739 007	107 027 825	52 625 192	659 926 994	136 595 302	26 368 168	465 030	162 498 440	497 428 554	165 428 996

OVERSTRAND MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008										
	Cost			Accumulated Depreciation			Carrying Value R			
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R		Additions R	Disposals R	Closing Balance R
Executive & Council	470 649				470 649	292 833	164 208		457 041	13 608
Finance & Admin	34 344 892	13 043 097	1 137 467	465 030	48 060 426	11 839 255	1 808 152	465 030	13 182 377	34 878 049
Planning & Development	52 006 252				52 006 252	307 190	78 685		385 875	51 620 377
Health	567 522				567 522	359 612	35 262		394 873	172 649
Community & Social Services	15 037 324	6 187 728	1 424 638		22 649 690	3 788 967	1 436 798		5 225 765	17 423 925
Housing	28 486 906	2 239 011			30 725 916	10 578 708	1 159 465		11 738 173	18 987 743
Public Safety	5 219 875	1 891 879			7 111 754	2 177 840	569 029		2 746 869	4 364 885
Sport & Recreation	18 622 495	4 790 216	2 936 850		26 349 561	6 933 131	992 369		7 925 500	18 424 061
Environmental Protection	1 881 224				1 881 224	508 543	232 741		741 284	1 139 940
Waste Management	116 932 539	11 769 179	13 347 214		142 048 932	39 100 104	6 505 153		45 605 258	96 443 675
Road Transport	56 397 787	22 868 994	2 994 041		82 260 822	17 078 665	4 883 579		21 962 245	60 298 577
Water	82 623 567	8 565 098	28 938 383		120 127 048	23 314 790	4 076 669		27 391 459	92 735 590
Electricity	88 147 976	35 672 624	1 846 598		125 667 198	20 315 665	4 426 059		24 741 724	100 925 474
Total	500 739 008	107 027 825	52 625 192	465 030	659 926 995	136 595 302	26 368 168	465 030	162 498 441	497 428 554

APPENDIX D OVERSTRAND MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008						
2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	
127 787 245	49 739 535	78 047 710	155 674 571	84 492 409	71 182 162	
7 715 462	16 116 197	(8 400 735)	4 781 890	11 946 495	(7 164 605)	
872	3 203	(2 331)	0	0	0	
3 962 292	12 486 682	(8 524 390)	416 394	10 043 069	(9 626 675)	
7 625 298	5 632 721	1 992 576	305 918	6 698 844	(6 392 926)	
6 602 333	13 206 652	(6 604 319)	7 410 351	17 488 989	(10 078 638)	
4 944 693	14 224 427	(9 279 734)	5 544 148	21 328 150	(15 784 002)	
1 657 064	7 462 761	(5 805 697)	160 047	3 523 885	(3 363 838)	
25 602 675	25 250 439	352 236	26 694 094	25 432 374	1 261 720	
28 973 759	26 981 960	1 991 799	29 106 097	29 693 713	(587 616)	
368 580	26 625 021	(26 256 440)	891	27 188 468	(27 187 577)	
43 583 111	30 723 142	12 859 969	43 810 499	29 220 928	14 589 571	
85 226 865	71 610 476	13 616 389	89 151 516	74 241 772	14 909 744	
357 088 516	317 202 545	39 885 972	378 765 692	356 943 578	21 822 114	
0	(47 486 950)	47 486 950	0	(49 005 900)	49 005 900	
						Less: Inter-departmental Charges
357 088 516	269 715 595	87 372 922	378 765 692	307 937 678	70 828 014	Total

UNAUDITED: APPENDIX E(1)					
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED					
30 JUNE 2008					
	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 10% versus Budget
REVENUE					
Property rates	81 624 568	77 813 840	3 810 728	5	
Property rates - penalties imposed and collection charges	804 773	364 630	440 143	121	Decrease due to payment culture - Debtors paying accounts sooner
Service charges	188 705 121	192 415 170	(3 710 049)	(2)	
Leases : Operating leases	5 629 212	5 174 700	454 512	9	
Interest earned - external investments	19 223 020	8 099 750	11 123 270	137	Constant investing of surplus funds
Interest earned - outstanding debtors	2 190 540	905 800	1 284 740	142	Decrease due to write-offs previous year
Dividends received	197 124	5 250	191 874	3 655	Subject to external decisions
Fines	3 634 457	4 588 970	(954 513)	(21)	
Licences and permits	1 660 420	1 347 710	312 710	23	
Income from agency services	3 095 545	4 263 460	(1 167 915)	(27)	
Government grants and subsidies	29 335 921	34 051 200	(4 715 279)	(14)	
Other income	14 023 121	13 837 041	186 080	1	
Public contributions, donated and contributed property, plant and equipment	11 183 363	1 270 000	9 913 363	781	Additional capital public contributions received
Gains on disposal of property, plant and equipment	17 458 509	16 500 000	958 509	6	Variation year-on-year due to capital financing needs
Total Revenue	378 765 692	360 637 521	18 128 171	5	
EXPENDITURE					
Employee related costs	104 485 015	104 850 257	(365 242)	(0)	
Remuneration of Councillors	3 873 990	3 913 280	(39 290)	(1)	
Bad debts	4 834 083	1 500 000	3 334 083	222	Reduction in older outstanding debts
Depreciation	26 368 168	28 226 580	(1 858 412)	(7)	
Repairs and maintenance	34 226 302	37 188 761	(2 962 459)	(8)	
Interest on borrowings	6 155 028	8 880 000	(2 724 972)	(31)	External loans taken up at a later stage
Bulk purchases	42 831 232	43 597 790	(766 558)	(2)	
Contracted services	9 597 927	11 596 045	(1 998 118)	(17)	Further appointments to vacant posts
Grants and subsidies paid	10 313 935	10 313 856	79	0	
General expenses - other (including abnormal expenses)	65 251 999	68 110 462	(2 858 463)	(4)	
Total Expenditure	307 937 677	318 177 031	(10 239 354)	(3)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	70 828 015	42 460 490	28 367 525		

UNAUDITED: APPENDIX E(2)					
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008					
	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Infrastructure					
Car parks	6 430 508	6 349 085	81 423	1	
Fencing	1 689 923	1 755 700	(65 777)	(4)	
Footways	3 386 707	3 560 700	(173 993)	(5)	
Kerbing	200 572	200 000	572	0	
Load Control Equipment	8 745 816	8 333 629	412 187	5	
Mains electrical	3 094 602	3 900 000	(805 398)	(21)	Reprioritisation of capital budget
Mains water	3 392 717	2 750 000	642 717	23	Reprioritisation of capital budget
Meters electrical	802 178	900 000	(97 822)	(11)	Reprioritisation of capital budget
Outfall sewers	0	286 000	(286 000)	(100)	
Paving	984 363	1 020 000	(35 637)	(3)	
Purification works	22 034 119	23 280 600	(1 246 481)	(5)	
Other roads	13 810 388	14 195 974	(385 586)	(3)	
Sewers	8 956 620	8 846 100	110 520	1	
Sewerage pumps	1 003 516	891 100	112 416	13	
Street lighting	650 515	600 000	50 515	8	Reprioritisation of capital budget
Supply/reticulation Electric	24 105 131	25 058 200	(953 069)	(4)	Reprioritisation of capital budget
Stormwater drains	8 955 121	9 322 043	(366 922)	(4)	
Switchgear	771 495	771 500	(5)	(0)	
Reservoirs & tanks	12 076 644	11 320 700	755 944	7	Reprioritisation of capital budget
Traffic lights	399 984	400 000	(16)	(0)	
	121 490 917	123 741 331	(2 250 414)	(2)	
Community Assets					
Cemeteries	0	300 000	(300 000)	(100)	Reprioritisation of capital budget
Community centres	6 736 951	6 645 100	91 851	1	
Fire stations	94 705	82 393	12 312	15	Reprioritisation of capital budget
Outdoor sports	3 542 297	3 578 726	(36 429)	(1)	
Public conveniences	780 710	1 151 400	(370 690)	(32)	Reprioritisation of capital budget
Slipways	813 347	810 000	3 347	0	
Stadiums	334 572	334 573	(1)	(0)	
Swimming pools	2 936 850	2 915 500	21 350	1	
Tennis courts	100 000	100 000	0	0	
	15 339 432	15 917 692	(578 260)	(4)	

UNAUDITED: APPENDIX E(2)					
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008					
	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Land and Buildings					
Land	0	0	0	0	
	0	0	0	0	
Other Assets					
Computer hardware	2 066 667	2 100 000	(33 333)	(2)	Reprioritisation of capital budget
Radio equipment	271 113	277 000	(5 887)	(2)	
Fire Equipment	201 956	202 000	(44)	(0)	
General plant	1 972 831	2 110 344	(137 513)	(7)	
Household refuse	149 150	150 000	(850)	(1)	
Housing schemes	2 239 011	9 340 000	(7 100 989)	(76)	Delays in housing projects (ROD's etc.)
Miscellaneous furniture	2 245 364	90 000	2 155 364	2 395	Change in Accounting standards
Office building	991 927	1 017 440	(25 513)	(3)	
Tip sites	6 051 986	6 490 000	(438 014)	(7)	Reprioritisation of capital budget
Vehicles	3 307 054	665 483	2 641 571	397	Vehicles delivered after year end
Vehicles: Trucks/bakkies	2 917 702	2 917 706	(4)	(0)	
Workshop/Depots	407 907	410 000	(2 093)	(1)	
	22 822 667	25 769 973	(2 947 306)	(11)	
Total	159 653 017	165 428 996	(5 775 979)	(3)	

APPENDIX F
OVERSTRAND MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance			
		June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March				June		
FMG	Nat Treasury	1 500 000				500 000				1 087 480				467 959				Y	
MSIG	Nat Treasury					150 000				150 000				150 000				Y	
DME - INEP	Mineral & Energy PAWC	2 363 133				3 352 000				3 352 000				3 352 000				Y	
MIG Projects	PAWC	1 854 033				2 602 951				2 616 313				4 060 000				Y	
Prov Road Subsidy	PAWC					707 000				707 000				707 000				Y	
Spaces 4 Sport	PAWC	3 308 965				1 500 000				1 500 000				1 500 000				Y	
Social Housing	PAWC	1 500 000				2 239 011				2 239 011				2 239 011				Y	
Multi Purpose Centre	PAWC					400 000				400 000				400 000				Y	
Town Planning	PAWC	50 000				400 000				50 000				400 000				Y	
Library	PAWC					304 919				304 919				72 000				Y	
Community Dev. Workers	PAWC					72 000				72 000				111 600				Y	
Housing Consumer Education	PAWC					111 600				111 600				124 969				Y	
Fire Victims	PAWC					124 969				124 969								Y	
		10 576 131	0	0	0	12 464 450	0	0	0	8 916 801	0	0	0	13 889 458	0	0	0	0	0

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 31 March 2008)

Name of municipality:	OVERSTRAND	Demarcation Code:	WC032
Name of preparer:	H N Kleinloog	Date completed:	March 31, 2008
Contact Details:	028 313 8040 e-mail: hkleinloog@overstrand.gov.za	Financial period:	2007/2008

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Property, plant and equipment (GRAP 17) Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	<ul style="list-style-type: none"> The Municipality will review the lives and residual values of assets and adjustments will be made as appropriate. We will use our experience, judgement and assumptions in the process of determining lives and residual values. 	<ul style="list-style-type: none"> New posts have been created on the staff compliment to address this issue. We will periodically report on the progress made. 	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm C F O	<i>Will be disclosed in 2008/2009 AFS</i>
Property, plant and equipment (GRAP 17) Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	<ul style="list-style-type: none"> When a change in depreciation method is necessary, the change will be accounted for and adjusted accordingly. 	<ul style="list-style-type: none"> We do not anticipate any change in the depreciation method. 	C F O	<i>Will be disclosed in 2008/2009 AFS</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 31 March 2008)

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Property, plant and equipment (GRAP 17) Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	<ul style="list-style-type: none"> The carrying amount of assets will be reviewed and assessed against the recoverable amount of such assets to determine any impairment losses. 	<ul style="list-style-type: none"> New posts have been created on the staff compliment to address this issue. We will periodically report on the progress made. 	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm C F O	<i>Will be disclosed in 2008/2009 AFS</i>
Property, plant and equipment (GRAP 17) Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	<ul style="list-style-type: none"> The carrying amount of assets will be reviewed and assessed against the recoverable amount of such assets to determine any impairment losses. 	<ul style="list-style-type: none"> New posts have been created on the staff compliment to address this issue. We will periodically report on the progress made. 	Dir. Infra & Planning Dir. Com Services	<i>Will be disclosed in 2008/2009 AFS</i>
Impairment of Assets (IAS 36/AC 128) Entire Standard	<p>Applies to financial assets classified as:</p> <ul style="list-style-type: none"> Subsidiaries (IAS27) -not applicable Associates (IAS28) – not applicable Joint ventures (IAS31)-not applicable Assets at revalued amounts (IAS16) - will be applied when identified. 	<ul style="list-style-type: none"> We will periodically report on the progress made 	All Directors	<i>Will be disclosed in 2008/2009 AFS</i>
Inventories (GAMAP)	<ul style="list-style-type: none"> To recognize land/property as 	<ul style="list-style-type: none"> Completed. 	Dir. Infra & Planning	<i>Will be disclosed</i>

Appendix G

FORMAT OF IMPLEMENTATION PLAN FOR HIGH CAPACITY MUNICIPALITIES (for 31 March 2008)

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
12) The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	held for sale within the next 12 months. <ul style="list-style-type: none"> Report to Council to recognize properties held for sale. 			in 2008/2009 AFS
Inventories (GAMAP 12) The entire standard to the extent that it relates to water stock that was not purchased by the municipality	<ul style="list-style-type: none"> The value of purified water stored in the reservoirs will be determined annually at year end. 	<ul style="list-style-type: none"> Completed. 	Dir. Infra & Planning	Will be disclosed in 2008/2009 AFS
Investment Property (IAS 40/AC 135) The entire standard to the extent that the property is accounted for in terms of GAMAP 17	<ul style="list-style-type: none"> To recognize and measure properties as Investment Properties. 	<ul style="list-style-type: none"> All Council owned land has been recognized and measured Busy with recognition of land identified as Investment Properties. 	Dir. Infra & Planning	Will be disclosed in 2008/2009 AFS
Investment Property (IAS 40/AC 135)	<ul style="list-style-type: none"> The Council is currently busy compiling a new valuation roll which will be applicable from 	<ul style="list-style-type: none"> New valuation roll completed and will be applied as the fair 	Dir. Infra & Planning	Will be disclosed in 2008/2009 AFS

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Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognized the investment property in terms of the standard <i>[paragraphs 79(e)(i) – (iii)]</i>	<p>1 July 2008.</p> <ul style="list-style-type: none"> The new municipal values will be applied as the fair value of investment properties. 	value of investment properties.		
Leases (IAS 17/AC 105) Recognizing operating lease payments / receipts on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i>	<ul style="list-style-type: none"> To identify and list the details of all operating leases in order to allocate lease payments/receipts to expenses/income on a straight line basis. 	<ul style="list-style-type: none"> Completed 	All Directors	Will be disclosed in 2008/2009 AFS
Intangible Assets (IAS 38/AC 129) The entire standard except for the	<p>Recognition and measurement of</p> <ul style="list-style-type: none"> Valuation roll Servitudes 	<ul style="list-style-type: none"> Valuation roll – completed Servitudes – outstanding Licences – n.a. 	Dir. Infra & Planning Head : Management Services	Will be disclosed in 2008/2009 AFS

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recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	<ul style="list-style-type: none"> • Licenses • Advertising 	<ul style="list-style-type: none"> • Advertising – n.a. 		
Employee Benefits (IAS 19/AC 116) Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i>	<p>Recognition and measurement of</p> <ul style="list-style-type: none"> • Short term employee benefits • Post employment benefits • Other long term employee benefits • Termination benefits 	<ul style="list-style-type: none"> • Completed 	Head : Management Services	Will be disclosed in 2008/2009 AFS
Revenue (GAMAP 9) Initial measurement of fair value discounting all	<ul style="list-style-type: none"> • Discounting of future receipts not necessary due to interest levied on arrear accounts and reflected as revenue. 	<ul style="list-style-type: none"> • Will be addressed with the compilation of the 2008/2009 budget. 	C F O	Will be disclosed in 2008/2009 AFS

Appendix G

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future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	Therefore, fair value = nominal amount.			
Financial Instruments: Recognition and Measurement (IAS 39/AC 133) Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i>	<ul style="list-style-type: none"> Recognition and measuring of financial assets and liabilities – completed 	<ul style="list-style-type: none"> Completed. 	C F O	Will be disclosed in 2008/2009 AFS
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	<ul style="list-style-type: none"> To recognize land/property as held for sale within the near future. 	<ul style="list-style-type: none"> Completed. 	Dir. Infra & Planning Dir. Com Services Dir. Econ Developm	Will be disclosed in 2008/2009 AFS

Appendix G

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Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]</i>	<ul style="list-style-type: none"> Completed 			
Financial Instruments: Disclosures (IFRS 7/AC 144) Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<ul style="list-style-type: none"> Completed 	<ul style="list-style-type: none"> Completed. 	C F O	Will be disclosed in 2008/2009 AFS
Construction Contracts (IAS 11/AC 109) Entire Standard	<ul style="list-style-type: none"> Not applicable to Overstrand 	<ul style="list-style-type: none"> n/a 		n/a
Business	<ul style="list-style-type: none"> Not applicable to Overstrand 	<ul style="list-style-type: none"> n/a 		n/a

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Combinations (IFRS 3/AC 140) Entire Standard				
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	<ul style="list-style-type: none"> • Review accounting policy to: <ul style="list-style-type: none"> i) account grant as deferred income, or ii) account grant by deducting from carrying amount of asset. 	<ul style="list-style-type: none"> • We will change our accounting policy to account for Government Grants by deducting it from the carrying amount of assets. 	C F O	Will be disclosed in 2008/2009 AFS

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF OVERSTRAND MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Overstrand Municipality (municipality), which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 97.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Overstrand Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my audit opinion, I draw attention to the following matters:

Fruitless and wasteful expenditure

11. As disclosed in note 32.1 to the financial statements, fruitless and wasteful expenditure amounting to R6 863 (2007: R0) was incurred, as a result of interest on late payments.

Amendments to the applicable basis of accounting

12. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 522 of 2007* issued in *Government Gazette No. 30013 of 29 June 2007*.

Restatement of corresponding figures

13. As disclosed in notes 27 and 28 to the financial statements, the corresponding figures for 30 June 2007 have been restated as result of an error discovered during the current year ended 30 June 2008 in the financial statements of the municipality at, and for the year ended, 30 June 2007.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

14. The municipality did not have an approved supply chain management policy in place for the entire financial year under review, as required by section 111 of the MFMA.

15. The annual internal audit plan and audit programme were not approved, as required by section 165(2)(b) of the MFMA.

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

16. The municipality has not finalised the following human resources policies, as part of a system and procedures to ensure fair, efficient, effective and transparent personnel administration, as required by section 67(1)(a) and (e) of the MSA:

- promotions and compensation policy
- recruitment and selection policy.

17. No formal performance evaluation process was in place for staff members below senior management, as required by section 67(1)(d).

Matters of governance

18. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	<input type="checkbox"/>	
• The audit committee operates in accordance with approved, written terms of reference.	<input type="checkbox"/>	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	<input type="checkbox"/>	

Matters of governance	Yes	No
Internal audit		
<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	<input type="checkbox"/>	
<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		<input type="checkbox"/>
<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		<input type="checkbox"/>
Other matters of governance		
<ul style="list-style-type: none"> The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA. 		<input type="checkbox"/>
<ul style="list-style-type: none"> The annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 		<input type="checkbox"/>
<ul style="list-style-type: none"> The financial statements submitted for audit were not subject to any material amendments resulting from the audit. 		<input type="checkbox"/>
<ul style="list-style-type: none"> No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. 		<input type="checkbox"/>
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 		<input type="checkbox"/>
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 	<input type="checkbox"/>	
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 	<input type="checkbox"/>	
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 	<input type="checkbox"/>	

Unaudited supplementary schedules

19. The supplementary schedules set out on pages 98 to 115 of the financial statements do not form part of the financial statements and are presented as

additional information. These schedules have not been audited and accordingly no opinion is expressed thereon.

Delay in finalisation of audit

20. As reported in the accounting officer's report, the finalisation of the audit was delayed by the late resolution of audit findings relating to the existence and completeness of assets and the valuation of non-current provisions.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

21. I have reviewed the performance information as set out on pages 9 to 16.

Responsibility of the accounting officer for the performance information

22. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

23. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

24. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Content of integrated development plan

26. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by section 26(i) of the MSA.

Lack of reporting on all predetermined objectives in annual report

27. I draw attention to the fact that the municipality has not reported on all planned key performance indicators, as required by section 41 of the MSA.

Comparison of the performance with targets set and measures taken to improve performance

28. The performance report prepared by the municipality does not reflect a comparison of the performances with targets set for and performances in the previous financial year, as required by section 46(1)(b) of the MSA. Furthermore measures taken to improve performance are not disclosed, as required by section 46(1)(c) of the MSA.

APPRECIATION

29. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

Cape Town
23 December 2008



A U D I T O R - G E N E R A L

5.1 REPORT BY THE AUDIT COMMITTEE

RESPONSIBILITY:

The Audit Committee of Overstrand Municipality is properly constituted and has again performed its functions as required in terms of Section 166 of the Local Government: Municipal Finance Management Act, 2003 for the year under review.

It has also *inter alia* performed the duties regarding performance management. This function was however wholly assumed by a separately constituted Performance Audit Committee with effect from 6 October 2008 in terms of Regulation 14(2) of the Local Government Municipal Planning and Performance Management Regulations, 2001.

COMPOSITION:

The Audit Committee is comprised of the following five (5) independent members:-

- G N Lawrence (Chairperson)
- R Borchers
- D W Jacobs
- J N P Saayman
- M E Tshabalala

The Executive Mayor, Chairperson Finance Portfolio, Municipal Manager, Director Management Services, Director Finance and the Manager Internal Audit also regularly attend the meetings. All meetings of the Audit Committee scheduled during the year were well attended and the business of the agenda properly conducted and completed.

ACTIVITIES

The Committee concerned itself with a broad spectrum of municipal activities. Amongst others it –

- considered internal audit reports
- took cognizance of mainstream policies
- considered the quarterly progress reports in respect of the Service Delivery & Budget Implementation Plan and commented thereon
- took cognizance of the 2007/08 Integrated Development Plan
- noted the Monthly Monitoring Reports as submitted to Provincial and National Treasury
- noted Monthly Debt Collection Reports
- reviewed and approved the internal audit charter
- approved annual internal audit plans

A highlight of the year included a two day (4th and 6th March) tour of the jurisdictional area of the Municipality to enable the members to gain first hand insight into the various capital and other projects presently underway. The Committee would like to place its appreciation on record for the fact that it was offered this opportunity. The tour also allowed for an active interaction with the various ward Councillors and officials during “on-site” inspections. As indicated in our previous Annual Report the Audit Committee met independently with the Auditor-General's representatives on two occasions during the past year where a frank and wholesome discussion has helped to create an improved level of mutual understanding and enhance the absolute independence of the Audit Committee. This practice will be continued in the following years.

The Chairperson of the Audit Committee was also a member of Council's standing Audit Steering Committee and by virtue of his attendance at these regular meetings was able to monitor the audit process and keep the Audit Committee fully abreast with developments in this regard. These meetings unlike previous events were comprehensively documented and minuted, and based on a predetermined and approved strategy.

The Audit Committee was further afforded the opportunity to attend a number of in-house workshops together with Councillors and senior staff. This initiative of the Municipal Manager is appreciated.

FINDINGS:

The Audit Committee has noted a significantly more positive approach by management and senior officials on the one hand and members of the Auditor-General's team on the other during the most recent audit exercise. The process has also been complimented by well documented and regular meetings, including political office bearers of Council.

It is furthermore pleasing to report that this Committee's recommendation that the capacity shortage in the Internal Audit Unit be addressed, has received attention. It is anticipated that this action will further enhance the efficacy of this unit and its dutiful reporting to the Audit Committee to further facilitate the exercise of our statutory responsibility and mandate.

A disappointment of the Audit Committee has, notwithstanding the improved degree of monitoring and reporting, been the fact that once again the budgeted amount for the Annual Audit has been exceeded by the final costs. This aspect will require more attention and focussed discipline next year. The resultant additional expenditure due to unexpected overtime, non-availability, overburdonment and reliance on key staff will have to be addressed to obviate a re-occurrence of overspending.

The ever increasing complexity of accounting procedures, prescriptions and treasury dictates will complicate the onerous task the Chief Financial Officer has to contend with.

However it is with gratitude that the Audit Committee has noted that Overstrand Municipality has been awarded an Unqualified Audit Report for the 2007/2008 financial year and remains of the opinion that as a high capacity Municipality it will continue to play a leading role in local government.

RECOMMENDATIONS:

1. That Council accepts the findings of the Auditor-General.
2. That the Accounting Officer and Management pay urgent attention to those matters highlighted in the Auditor-General's report.
3. That the Municipal Manager reports back to Council and the Audit Committee on progress made in addressing those issues identified in the Auditor-General's report.



Chairperson

19 January 2009

5.2 COMMENTS OF THE ACCOUNTING OFFICER

1. The unqualified opinion expressed by the Auditor General is just reward for the excellent work done by the Director: Finance Mr Henk Kleinloog, the Manager: Accounting Services, Mr Bernard King in particular and all other Directors and staff. This opinion was not easily achieved as various factors could easily have yielded a different, and more negative, result. These matters will now be dealt with.
2. The first harsh reality is that the Annual Financial Statements (AFS) were submitted late. This is not only a negative reflection on the competency of the Municipality, but also had a knock-on effect on the whole auditing process. Two dominant causes will have to be addressed in order to prevent a recurrence thereof. The first is that (as is already the case) a strict protocol of first obtaining an order before incurring costs should be diligently adhered to. Linked to this is an earlier cut-off date for the placing of orders. The second aspect relates to IT problems experienced. The inability to make best use of the software packages lead to a compulsory restatement of the AFS. As the pitfalls have been clearly identified, a recurrence could be prevented.
3. The good working relationship between Mr Mahomed Hassim and his team was widely welcomed. His committed, professional and courteous approach promoted sound interaction. Having said that it is also a reality that the more junior staff members of the team had to overcome their inexperience often to the detriment of the audit process.
4. The audit steering committee functioned exceptionally well. Meetings were properly structured, conducted and minuted. Attendance from all parties (including members of the Municipality's Audit Committee) was excellent and the continued presence of the Executive Mayor, Councillor Theo Beyleveldt and the Finance Portfolio Chairperson, Councillor Pieter Scholtz added status and commitment to these meetings.
5. Budget overruns were always well motivated and therefore agreed to by the Municipality. These overruns are however unacceptable and the high cost of the audit had to be questioned. Identified solutions include the early identification and prevention of duplicated enquiries (of which there were many), the "training" of AG staff at an early stage, the appointment of an audit co-ordinator by the Municipality to ensure continuous, well planned audit procedures and processes. Where work is duplicated by the audit staff or where audit staff has to be trained, it should not be charged to the Municipality.

The rush of COMAFS at a late stage of the audit must be prevented. To this end the Municipality must also be better and more pro-actively prepared for the audit. Work programmes within the audit plan and with reasonable time slots should be identified and completed before the next component of the programme is tackled. Revisiting matters is not only wasting time and being costly, but also causes irritation and even friction.

6. Various matters (not being matters of emphasis) raised by the Auditor General will have to be investigated and addressed by Management prior to the next audit cycle. Key issues include matters relating to the Performance Management System, risk management, asset control and management, human resource management and supply chain management. A late stumbling block was the issue of provisions and how these were calculated.
7. Once again the requirement of the Auditor General that the annual report should be ready prior to the final Auditor General report being issued created confusion.

The legislation is clear that the annual report must include the Auditor General's report (Section 121 (3)(b) of the MFMA) and even recently published guidelines received from National Treasury endorse the Municipality's view that the annual report cannot be prepared prior to the receipt of Auditor General's report. This matter should really be sorted out between the Auditor General and National Treasury.
8. The finalisation of the audit was delayed by the late resolution of audit finding relating to the existence and completeness of assets and the valuation of non-current provisions

W Zybrands
ACCOUNTING OFFICER

23 January 2009

5.3

SPECIAL REPORT OF THE AUDITOR-GENERAL TO THE ACCOUNTING OFFICER, THE WESTERN CAPE PROVINCIAL LEGISLATURE AND PARLIAMENT ON THE DELAY IN THE SUBMISSION OF THE AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE OVERSTRAND MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Introduction

1. As required by section 126(4) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), I must report to the municipality, as well as to the provincial legislature and parliament, the reasons for the delay if I am unable to complete my audit within three months of receiving the financial statements.

Due date for submission of audit report

2. I received the financial statements of the Overstrand Municipality on 15 September 2008 and in terms of section 126(3)(b) of the MFMA my audit report should have been submitted to the accounting officer of the municipality by 15 December 2008.

Reasons for the delay

3. The non-submission of my audit report within the prescribed timeframe is due to the late resolution of audit findings relating to the existence and completeness of assets and the valuation of non-current provisions.

Conclusion

4. The above does not constitute an audit and I do not express any assurance in this special report.
5. This special report relates only to the purpose set forth in the first paragraph.

Auditor-General

Cape Town

23 December 2008



AUDITOR - GENERAL