

SECTION F 5: FINANCIAL VIABILITY AND MANAGEMENT

The goal of the directorate: finance is to ensure effective and efficient financial management and to reach the following objectives:

- ❖ To manage municipal revenue
- ❖ To manage the municipal budget
- ❖ To maintain internal financial control
- ❖ To achieve clean audit
- ❖ To perform the treasury functions

I. FINANCIAL SERVICE ANALYSIS

I.1 Services offered to consumers

SERVICE	AREA PROVIDED	AREA EXCLUDED	REMARKS
Enquiries & Information regarding municipal accounts	Jeffreys Bay, Humansdorp, St Francis Bay, Hankey, Patensie, Loerie, Cape St Francis	Thornhill Oyster bay, Kruisfontein	Thornhill services provided at Loerie
Rendering of rates accounts	Total Kouga area. All properties in towns	Rural land and properties	Fast track process updating valuation register for rural areas. Phase in for 3 years for billing
Rendering of service Accounts: Water	All Kouga towns	Farms and rural areas	Phase in for 3 years for billing
Electricity	Jeffreys Bay, Humansdorp, St Francis Bay, Oyster Bay, Cape St Francis	Thornhill	Thornhill services provided by Nelson Mandela Metropolitan Municipality. (To phase in the Thornhill to be serviced by KLM)
		Hankey, Patensie, Loerie,	Hankey, Patensie, Loerie services provided by ESKOM
Provision of pay points for payment of annual and monthly accounts	Jeffreys Bay, Humansdorp, St Francis Bay, Hankey, Patensie, Loerie	Thornhill	Thornhill serviced by Loerie
Extended access to pre-paid electricity and payment of accounts by involving third parties	Jeffreys Bay, Humansdorp, St Francis Bay, Oyster Bay	Hankey, Patensie, Loerie, Thornhill	Area excluded receives services from ESKOM. Retail outlets provide after hour pay point
Allocation and administration of indigent subsidies at units	Hankey, Patensie, Loerie, Jeffreys Bay, Humansdorp, St Francis Bay, Oyster Bay		

Table I

I.2. Institutional Arrangement

I.2.1. Institutional Capacity for financial viability and Management

Kouga municipality has a Finance Department with staff component that possesses the required financial management qualifications, with an average of 96% of personnel in which about 40% of them attended the GRAP, AFS and Supply Chain Management trainings and atleast three (3) years relevant work experience. The internal audit services are functional and performed by the committee with appointed members that qualify for the position, with scheduled meetings more than in a year and a chairperson with legal background and the full time scribe for minutes and reports.

Council has for all the past years approved consistently the budget aligned to its IDP, with supporting documents by 31 May of each year. Ensured continuously is that the budget approved is realistic based on the following:-

- IDP priorities
- On actual figures (revenue collection and level of expenditure) from previous financial year
- On the inflation rate
- Review of tariff policy

Kouga municipality uses a fully GRAP compliant financial system to produce all required financial reports and has a system that can produce the:-

- General ledger accounts
- Trial Balance
- Cash flows
- Statement of Financial and Performance
- Monthly bank reconciliation

For effective budget management, effective internal control mechanisms, regular cash flow reports and written delegation of authority is in place. Timeously produced is a high quality 12 monthly Section 71 and by January 25th 72 reports. The municipality has discontinued the use of service providers in compiling AFS. The annual budget is published and accessible in the public domain as libraries, municipal offices and the web site

The municipality has developed and implemented an Asset Register, the existing register will be review in the coming financial year. A GRAP compliant register is developed and maintained by dedicated officials who for all assets acquired scan, give bar-code and record before disposal. Policies in this regard have been formulated.

All assets including councillors insured comprehensively against damage or loss. Further insurance against loss of revenue due to theft a contract has been signed with a security company. The municipal fraud prevention plan has been developed and no workshop has been conducted. The Municipality has completed its general valuation of all properties, an interim valuation was conducted during the last financial year and approved valuation roll is available. There are by laws to enforce the implementation of the property rates policy

A supply chain management policy has been adopted by the council and all contracts and agreements procured through SCM are controlled through Service level agreement. It has been discovered that consistently AG raises weaknesses and strategies are in place to attend to related action plans. For risk mitigation a backup system is available on a daily bases.

Apart from Service Charges and Rates the municipality has the following own revenue sources;-

- Interest
- Fines
- Hire & rentals
- Building plans,
- Spatial planning services
- License fees
- Caravan Park fees
- Augmentation fees

Council has atleast adopted the following financial policies towards improving revenue collection and for all the policies adopted by-laws been developed and promulgated:

- Credit and debt control policy,
- Customer care policy,
- Investment policy,
- Rates and tariff policy

Monthly billed consumers' records and metering for Electricity, water and refuse shows an annual collection are at the percentage average between 70-80%.

Auditor General's Opinion

Kouga municipality has received the following audit opinions from the AG

- 2008/2009 – Unqualified
- 2009/2010 – Qualified
- 2010/2011 - Disclaimer

Audit report for the past 2 years moved from disclaimer or adverse to qualified in the previous

1.3. Budget review process

The Municipality in accordance with the Municipal Finance Management Act developed the budget compilation process ten (10) months before the start of a new financial year. It is interpreted as facilitating an early start to ensure that all the processes relating to the compilation of an effective and transparent budget is achieved. Most importantly, as required by the MFMA and the Municipal Systems Act, the community stakeholders were involved in the throughout the processes. The IDP/Budget Process Plan before it was adopted by councilor; community stakeholders interacted and submitted inputs for better mechanism

1.3.1. Financial Capacity in response to project needs

The Kouga Municipality is not immune from challenges faced the majority of the municipalities within the country of resource constraints. Currently Kouga is depended on several financial resource revenues available for the implementation of various priorities. Mostly reliant is on its own budget, then in the form of Municipal infrastructure Grants (MIG). The Equitable Share provided by the government is at the moment a subsidy generally used for water, electricity and refuse removal tariffs.

The projects present the implementation component of the strategic plan and were formulated on the basis of the agreed strategies. The figure below offers a schematic overview of the process in the completion of the project register. Taking into consideration that the previous IDP included projects both funded and unfunded, first approach was that the work of the project team involved checking which of the existing projects are relevant for the newly formulated strategies. Based on this analysis, the missing building blocks towards achievements of the strategy were formulated.

The identification of the projects was followed by the completion of projects templates for 2012/2013 to 2014/15 projects. The project template supports the completion of the Service Delivery Budget and Implementation Plan (SDBIP) required by the Municipal Management Act (MFMA): Section 53. The requirement refers to budget reporting that is linked to IDP indicators, including Ward –based objectives.

1.3.2. Aligning Budget with IDP Priorities

Kouga together with its constituency took into consideration the following key challenges for the development IDP and Budget and projects register in the following section address some of these challenges.

- Extension of services to HDA's vs maintaining serviced areas
- Influx of people
- Roads – need for sustainable solution
- Safety – lighting in problematic areas
- Safe accessible water
- Extension of sewer network
- Waste management – illegal dumping
- Recreational facilities
- Local economic development
- Electricity

The project register, prior to the budget alignment discussions, represented what the Municipality should be doing in terms of the community needs, above challenges, the backlogs and institutional requirements.

The budget alignment discussions distributed per key performance area intended to adjust the register into what the Municipality is able to do in line with available resources. The alignment process approach focused on IDP priorities as identified by the communities through Community Based Planning Process and Draft IDP and Budget hearings with most critical, affordable and available resources. The IDP and budget office prepared a report that showed the budget allocation per service delivery area e.g. water, sewerage, electricity, connections; maintenance of existing; cemeteries; social infrastructure; LED etc. Considered as budget framework for anticipated spending in the following financial year was what is possible, what limitations are there, what is expected in terms of income/

The budget report reflected means and financial information available in terms of capital as well as operational for decision making, services that needed to be isolated as critical and those without mandate, This has been a good guider for the municipality to know what it can afford on what is said to be critically important. This was interrogated to make sure it is in fact the way, in which the money should be spent. Generated were some serious political debates and pressures intended for clear

financial alignment to community needs, spatial allocation in terms of National Spatial Development Framework (NSDP) that is to see the amount of spending per ward to see which wards are receiving the highest percentage of investments, etc.

Priority projects have been carefully screened and situational informed to make the most visible service delivery in all wards.

Projects have been prioritized in the following order to respond to priority strategies:

- project that are viable to address the critical situations in the wards
- projects that make the most visible service delivery
- projects that we will week money elsewhere
- Based on our financial resource framework.

The above budget allocation was influenced by many factors as:

i) Macro performance objectives

- The draft budget is based on the following macro performance objectives
 - 60 to 70% Actual revenue collection
 - 100% Actual capital expenditure
 - 100% Operating expenditure
 - Longer term targets
 - 34% Remuneration cost as % of total budget
 - Maintenance of 8% of Operational budget
 - Inflation rate of 5.9

ii) External Environment that impact on our budgeting processes

- Macro guidelines by National Treasury
 - Fluctuating Rand/\$ - affects cost of imported infrastructure components
 - Rising oil prices - affects price of goods/services
 - Community needs in terms of service delivery - Demands are high / Resources limited
 - Salary increases – external negotiations
- Share of nationally raised revenue – we do not decide how much will be given to us

iii) Remuneration

• Salaries & allowances as a percentage of total budget

- | | | |
|---|---------|--------|
| • | 2009/10 | 32.29% |
| • | 2010/11 | 30.84% |
| • | 2011/12 | 34% |
| • | 2012/13 | 34% |

iv) Repairs and Maintenance

- 2009/2010 - R 29 116 000 ,
- 2010/2011 - R33 652 952
- 2011/2012 – R35 050 603
- 2012/2013 – R33 802 633

v) **Electricity**

- The refuse service is an economical service and should pay for itself
- Eskom and NERSA have announced an increase in the electricity price of 13.5% (bulk) from 01/July/2012
- We increased monthly minimum with an average of 11.03%

vi) **Refuse**

- The refuse service is an economical service and should pay for itself
- Refuse disposal tariffs were increased by 5.9%
 - 2012/13 tariff structure increased by 5.9% during review
- Audit is currently carried out to determine carried-out to see if everybody pays for services rendered

vii) **Tariffs**

Tariff increases for the 2012/13 financial year at this stage

– Assessment Rates	=	5.9%
– Electricity	=	13.5% (Bulk) , 11.03% (sales)
– Refuse	=	5.9% (Reviewed)
– Sewerage/Sanitation	=	9%
– Water	=	10%
– EMF	=	0%
– Other income	=	5.9%

Due to the phasing in of tariffs and the vast difference in property valuations this will however differ from area to area. The above rate structure has been influenced The MFMA Circular No. 51. The circular provided updated information to Municipalities & Municipal entities regarding Eskom's increase in the Municipal electricity bulk tariff increase; NERSA's Municipal guideline tariff increase; The inflation rate to be used for calculating wage increases; Matters relating to the Municipal Property Rates Act; and the Metro's fuel levy allocations which had influence in rates review and budget plan.

1. BUDGET ALLOCATIONS 2012/13

2.1. INCOME AND EXPENDITURE

	INCOME	EXPENDITURE	CAPITAL EXPENDITURE
DEPARTMENT	PROPOSED BUDGET 2012/2013 BILLED	PROPOSED BUDGET 2012/2013	CAPITAL
Executive & Council	-	24 364 973.01	
Finance	184 709 810.70	61 541 027.56	
Planning & Development	1 513 610.99	13 377 786.24	
Community & Social Services	61 363 953.82	107 128 697.94	
Technical Services	307 826 271.60	318 076 831.87	
Strategic Services	1 053 343.52	8 472 597.19	
Corporate Services	2 630.73-	21 709 893.28	
GRAND TOTAL	556 469 621.36	554 671 807.09	35 068650.00

Table 2

2.2. REPAIRS AND MAINTANANCE BUDGET

DEPARTMENT	BUDGET 2012/2013
BEACHES	25 200.00
BEACHES : BLUE FLAG	312 480.00
BUILDINGS AND PROPERTIES	479 640.00
CARAVAN PARKS AND CAMPING	348 600.00
CEMETERY	319 200.00
COMMUNITY SERVICES	
CORPORATE SERVICES	243 447.89
COUNCIL	1 086 304.53
DISASTER MANAGEMENT	874 860.00
ECONOMIC DEVELOPMENT :GEN&TOUR	54 600.00
ELECTRICITY	9 727 944.00
ENGINEERING	26 536.71
ENVIRONMENTAL HEALTH	170 520.00
FINANCE	477 302.45
MM : RISK & COMPLIANCE	8 400.00
HOUSING	26 274.46
STRATEGIC SERVICES : DIRECTOR	4 200.00
HUMAN RESOURCES	43 257.11
INTEGRATED DEVELOPMENT	14 623.26
KOUGA CULTURAL CENTRE	89 880.00
LIBRARY	28 272.79
MAYOR	87 017.28
TECHNICAL SERVICES : MECHANICAL	113 400.00
MIG ADMIN UNIT	4 200.00
MUNICIPAL MANAGER OFFICE	46 583.67
MUSEUM	58 800.00
NATIONAL TRAFFIC (NATIS)	8 400.00
NATURE RESERVE	239 400.00
NATURE RESERVE	67 200.00
PARKS AND OPEN SPACES	999 600.00
PLANNING & DEVELOPMENT	31 230.53
PROTECTIVE SERVICES	1 148 548.23
PUBLIC WORKS	4 433 100.00
REFUSE	1 990 800.00
ENVIRONMENTAL MANAGEMENT	3 423 840.00
SANITATION	329 280.00
SEWERAGE	5 782 297.55
SOCIAL DEVELOPMENT	4 200.00
COMMUNITY SERVICES : DIRECTOR	27 775.24
SPORT AND RECREATION	1 184 400.00

SKILLS DEV. & EMPLOYMT. EQUITY	4 200.00
WATER AND WATERWAYS	6 009 077.55
TOTAL REPAIRS AND MAINTANACE	40 387 663.24

Table 3

2.3. INCOME BY FUNCTIONALITY

Department	2012/2013 Bill Budget
ASSESSMENT RATES	130 024 852.28
BEACH	5 557.90
BUILDINGS AND PROPERTIES	466 608.09
CARAVAN PARKS AND CAMPING	968 258.48
CEMETERY	171 590.24
COMMUNITY SERVICES	380.16
CORPORATE SERVICES	2 630.73
ECONOMIC DEVELOPMENT :GENERAL	45 710.76
ELECTRICITY	200 001 439.00
ENGINEERING	9 923.44
ENVIRONMENTAL HEALTH	168 675.05
FINANCE	54 684 958.42
KOUGA CULTURAL CENTRE	7 632.77
LIBRARY	2 032 558.86
MIG ADMIN UNIT	1 398 350.00
NATIONAL TRAFFIC (NATIS)	17 331 165.56
NATURE RESERVE	663 368.81
PLANNING & DEVELOPMENT	1 047 002.90
PROTECTIVE SERVICES	3 022 968.47
PUBLIC WORKS	3 923 001.89
REFUSE	25 526 494.74
ENVIRONMENTAL MANAGEMENT	9 022 831.60
SANITATION	330 452.95
SEWERAGE	48 494 306.39
SKILLS DEV. & EMPLOYMT. EQUITY	800 000.00
WATER	53 668 797.93
WATERWAYS	1 450 103.94
TOTAL INCOME	556 469 621.36

Table 4

3. NATIONAL ALLOCATIONS: FOR KOUGA MUNICIPALITY

Equitable Share and Total Allocations to Municipalities

EQUITABLE SHARE	TOTAL ALLOCATIONS TO MUNICIPALITIES
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National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)
			45 585	48 593							

Equitable Share Allocations: Equitable Share Formula Allocation + Special Contribution towards Councillor Remuneration

Equitable Share Formula						Special Contribution towards Councillor Remuneration					
National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)
43 743	46 644		43 743	46 644		1 842	1 949		1 842	1 949	

Municipal Infrastructure Grant Allocations

Municipal Infrastructure Grant						Municipal Infrastructure Grant (Cities)					
National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)
27 967	29 505		27 967	29 505							

Specific Purpose Recurrent Grant Allocations to Municipalities

Local Government Financial Management Grant						Municipal System Improvement Grant					
National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)	2012/13 (R'000)	2013/14 (R'000)	2014/15 (R'000)
1450	1500		1500	1500		800	850		800	850	

Specific Purpose Recurrent Grant Allocations

Water Services Operating Subsidy Grant						SUB-TOTAL: RECURRENT					
National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
2 240	2 300		2 240	2 350		2 300	2 350		2 300	2 350	

Allocations-in-kind

Integrated National Electrification Programme (Eskom) Grant						Electricity Demand Side Management (Eskom) Grant					
National Financial Year			Municipal Financial Year			National Financial Year			Municipal Financial Year		
2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
	24			24							

Table 5

IDP and Budget planning has taken into consideration all the above allocation for the MTEF

4. PREVIOUS YEARS' PERFORMANCE: CAPITAL EXPENDITURE AND INCOME

	2009	2009	2010	2010	2010/2011
Description	Actual	Actual	Actual	Actual	Actual
	Income	Expenditure	Income	Expenditure	Expenditure
Executive and Council	135 399	(19 278 129)	346 057	-27 627 057	
Finance and Admin	136 561 658	(65 471 453)	160 037 785	-103 958 849	11 565 684
Planning and development	2 360 087	(10 533 332)	1 649 900	-11 805 905	796 778
Health	4 624 928	(3 061 066)	2 976 117	-4 013 842	
Community and Social Services	72 615	(5 311 976)	82 247	-5 990 219	231 457
Housing	9 157 184	(10 968 669)	20 393.41	-3 280 572	
Public Safety	7 012 416	(17 335 736)	7 199 724	-20 299 071	18 600
Sport and Recreation	6 562 942	(6 588 263)	1 633 610	-8 172 628	31 360
Environmental Protection	2 539 456	(13 976 532)	1 262 016	-18 051 716	
Waste Management	23 954 112	(25 143 857)	25 923 290	-28 195 822	
Waste Water Management	30 464 030	(20 024 793)	22 140 009	-20 498 904	9 228 207
Road Transport	7 615 934	(17 142 785)	-150 007	-17 456 537	277 307
Water	39 189 567	(28 376 210)	32 562 058	-34 773 536	4 445 796

Electricity	90 721 505	(70 475 447)	111 238 455	-93 335 095	2 813 808
Sub-Total	360 971				
	834	(313 688 250)	366 921 654	-397 459 752	29 408 997

Table 6

5. FREE BASIC SERVICES (FBS)

The municipality revised its Free Basic Service Policy for the purposes ensuring efficient operations and effective responsibility to the qualifying indigent households. The level of poverty within the Kouga Municipal area, and the resultant number of households who qualify for assistance, will determine the level of assistance that can be given from the equitable share, as assistance can only be granted up to a maximum amount of the equitable share received by the municipality and subject to the funding and limits placed by the Provincial Government. The assistance is granted in order for the municipality to provide an essential minimum package of service to all indigent households. It is therefore critical that households falling into this category be placed on a level of service that is appropriate and affordable (i.e. basic level of essential services), failing which the provision of assistance will not be sustainable. The Indigent Policy is in place and was already adopted by the council. There is a form that indigents should feel to verify the status (Pensioner / grant) of the people through Ward Councillors. There is no fully dedicated FBS personnel in the municipality to work with all the FBS issues as a result the register is not always updated. DLGTA (FBS) has conducted a capacity building workshop for council on the 28th February 2012. Eskom was started to providing geyser to the municipality but the project stopped due to financial challenges. For Indigents received free electrical units when buying pre-paid electricity. They received the free units once a month when buying electricity for the first time in a month.

5.1. Criteria to qualify for FBSs

Subject to the availability of funding from Provincial Government, the policy provides assistance to those indigent households who qualify in terms of the set criteria. A household which has a verified total gross monthly income equal or less than 2x state pension per month will be classified as indigent and will qualify for financial assistance subject to the completion of the relevant documentation including a sworn affidavit to the effect that all information supplied is true and correct, if proven misleading the applicant will be disqualified. Assistance will be granted on a monthly basis and will only apply to the current account. No assistance will be given on arrears. The agreement that the supply of water to the particular premises be restricted by means of a flow control washer or any other means as the Council may determine from time to time. Households qualifying for the indigent assistance will be required to change over to pre-payment electricity meters and the cost of the conversion from a credit to a pre-payment meter will be funded from the equitable share, subject to the availability of funds.

Approval for financial assistance shall only be granted for a period of 1 year from the month of application, and therefore new applications and relevant documentation will need to be submitted to the offices of the Kouga Municipality every year failing which assistance will cease automatically. Should the circumstances of the households change within the year as mentioned in 7, then the relevant Kouga Municipal offices must be notified of these changes by the applicant, in order to effect any changes to the assistance granted. The council resolved that assistance will not be granted in circumstances where persons own more than one property and will therefore not be classified as indigent. Further the assistance granted will be calculated according to the number of indigent households needing assistance compared to the equitable share received by the local authority. The assistance given shall be in the form of a credit passed to the consumers account on a monthly basis. In circumstances where the monthly assistance granted to a household, does not cover the full billing of the current account, the amount of the current account which exceeds the assistance given, will need to be paid monthly by the respective household, failing which the services will be cut and the subsidy reversed. Any arrears on accounts that built up prior to the first application for assistance will be dealt with under the credit control policy. The finance section has with the collaboration of the ward councillor and ward committees ensured that the information does reach all prospect applicants and are screened for any irregularities.

5.2. Allocation of Indigent Grant by Service

The total FBS grant funding of **13863930.43** for the 2010/2011 financial year has been allocated for the following services, with water and refuse consuming the biggest chunk and electricity the lowest.

FREE BASIC SERVICE MONTHLY ALLOCATION			
	2009/2010	2010/11	2011/12
July	640671.55	1116954.66	1438511.19
August	668212.98	1101701.56	1285089.55
September	703028.07	1105114.08	1290700.87
October	785156.17	1139243.37	1358791.12
November	816749.64	1139239.05	1391928.84
December	841551.14	1151887.38	1403795.89
January	871633.84	1142293.56	1429480.86
February	865738.16	1177811.65	1423141.05
March	902268.80	1184777.93	1439858.14
April	912763.06	1198344.10	
May	927666.55	1196681.25	
June	931094.01	1209881.84	

Table 7

6. Kouga General Auditing

6.1. Audit Committee- functioning

The Audit Committee of the Kouga Municipality is a statutory committee established in terms of Rule 70 (1-4) of the Standard Rules and Orders of the Kouga Municipality. This committee consists of five members; the Municipal Manager and Chief Financial Officer on full time basis, as well as the chairperson and other two members The Council select, appoint and remunerate committee members for a period of two years on qualifications after undergoing a screening process.

The objectives of the Audit Committee are:-

- to enhance the accuracy, reliability and credibility of financial reporting by and to the Council;
- to ensure that proper accounting and internal control measures are made, implemented and maintained for the safe custody and protection of the municipality's assets and resources; and
- To facilitate communication between itself and the municipal manager, internal auditors and the Auditor-General.

Kouga Audit Committee for efficient and effective performance has the following vested powers to

- access and inspect any records, documents and information ;

- access and inspect any premises on which or from where the activities of the municipality are performed;
- conduct interviews with the Council or any committee thereof and summons any employee of the municipality to appear before it and interview him or her;
- investigate or cause to be investigated by any employee of the municipality, after consultation with the municipal manager, any matter;
- ensure that effective accounting policies, systems and reporting are implemented and applied;
- Facilitate improvement of the standard of financial reporting.
- Assess the planning and scope of and approach to such audit.
- To review the effectiveness of the accounting and Control System by assess any deficiency in the accounting and internal control system, measures implemented to address such deficiencies; and confirm the policies and procedures for identifying areas of risk and the measures implemented to ensure effective and efficient management .

The Audit Committee will be established by July 2012. Its intended to consider and submit a report on matters referred to it by the municipal manager or the Council; and as assigned to them from time to time. The services of the Audit Committee are shared between Kouga, Kou-kamma and Baviaans Municipality and have at least four ordinary meetings during a financial year at a time, date and alternative municipal venue as determined by it. Challenges as experienced in terms of financial viability and management are documented in summary in the following report by the Audit General. The factors have been taken into account during the review period as they are contributing to the Kouga Municipality not having sufficient resources to deliver effective services including dealing with backlogs and secondly financial management practices that are contributing to a qualified audit report include non-compliance to the Municipal Finance Management Act.