



# **ANNUAL REPORT 2010 /2011**





## UMUZIWABANTU - VISION

To be a preferred investment destination with superior and sustainable service delivery.



# WORKING TOGETHER

## UMUZIWABANTU - MISSION

Umuziwabantu shall create an environment that is attractive to investors, thereby creating jobs and improving the quality of life.





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## INTRODUCTION AND OVERVIEW

### 1.1 Executive Summary

The Umuziwabantu Local Municipality's Annual Report has been developed according to the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000.

According to the National Treasury guidelines for the preparation of the Annual Report, the report should comprise five chapters to reflect the key activities undertaken within the organisation during the year under review. A brief summation of what is contained in each chapter is outlined below.

Chapter 1: This chapter contains the geographic location of the Municipality as well as the population dynamics of the municipality. Key to this chapter is the consultative processes that the Municipality embarked on, which led to the creation of the IDP document. The chapter touches on issues of governance and how the Council is constituted.

Chapter 2: This chapter reports and highlights some of the key achievements and challenges of the organisation during the year under review.

Chapter 3: This chapter reports on the programmes designed by the Municipality to improve employment equity and skills development. It also highlights Human Resource Management Policies and Practices that have been carried out to build staff capacity. To ensure transparency, issues of remuneration of Senior Management have also been covered.

Chapter 4: This chapter has the Municipal Annual Financial Statements; Audit Report and Municipal Corrective measures for the year under review.

Chapter 5: This chapter reports on the progress on service delivery and development for the year under review. The format used in reporting is in line with the National Treasury guidelines. Performance progress is reported according to the five National KPAs and also highlights the challenges experienced as well as progress made in addressing those challenges. The increased compliance level is reflected by the timely preparation and approval of the IDP, Budget, SDBIP, PMS, Performance Contracts, Work-Place Skills Plan and the Annual Financial Statements.

### 1.2 Legal Framework

The 2010/2011 Annual Report has been prepared in accordance with the provisions of Section 121 of the Municipal Finance Management Act (MFMA), 56 of 2003 and Section 46 of the Local Government: Municipal Systems Act (MSA), 32 of 2000. The Annual report oversight report was thereafter approved by the Municipal Council after following all the processes prescribed by Section 129 of the MFMA. In compliance with the provisions of the MFMA, this Annual Report was tabled by the Mayor at a Municipal Council meeting held on 25 January 2012, as prescribed by Section 127 of the MFMA, and was thereafter publicised for comments, in terms of Section 21(a) of the MSA.

The Annual Report has been considered by the Standing Committee on Public Accounts assigned by the Municipal Council to function as an Oversight Committee, which Oversight Committee is as directed by Section 129 of the MFMA, to assist the Municipal Council in considering the Annual Report. The report of the SCOPA is included in the Annual Report and therefore made public in terms of Section 21(a) of the MSA.

In presenting this report for the financial year ended 30 June 2011, we acknowledge progress made during the 2010/2011 financial year and the challenges that lie ahead. A detailed account of all the challenges and remedial actions going forward has been provided within this report.

# MAYOR'S FOREWORD

I have great pleasure in presenting to the Council and the people of Umuziwabantu Municipality, and to our stakeholders in general, this Annual Report for the Financial Year 2010/2011.

Significantly, this report mirrors the activities and achievements of the previous administration under the erstwhile of Umuziwabantu Municipal Council. It portrays the final chapter of the five year- term of the previous Council, and the extent to which the resources and infrastructure capacity have been able to influence development and service delivery during the period under review.

The Annual Report contains the demographics and other profiles of the local area and its people, and also highlights the factors that influenced development and growth of the municipality.



In essence, the report captures the extent to which the Municipality has responded to the will and expectations of the communities based on the Council approved Integrated Development Plan of the period under review. The report presents how the Municipal resources were utilized and as such contains the audited consolidated Annual Financial Statements of the municipality. The report contains performance information and how the Municipality implemented its Service Delivery & Budget Implementation Plan (SDBIP).

In presenting this Annual Report, I acknowledge the role played by the municipal administration in providing information for both public reporting and auditing purposes. However, it is important to note that while greater effort has been put in addressing financial management and governance of the municipality, the internal control environment still require significant improvements in order for the Municipality to achieve a "Clean audit "

Notwithstanding the fact that our successes are real and measurable and that our achievements are a source of pride to us, it will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of neglect will remain with us beyond the term of office of any elected office-bearer I look forward together with the Executive Committee, the whole Council and the municipal administration, to continuing to work for the building of a transformed Umuziwabantu Municipality in which our vision will be a practical reality. We are positive that the Municipality's future holds the promise of a better life for all who may wish to live and work here.

**COUNCILLOR DIXIE NCIKI**  
**MAYOR: UMUZIWABANTU MUNICIPALITY**





# MUNICIPAL MANAGER'S STATEMENT



This report is one of the many tools used by the municipality to communicate with all stakeholders about the municipal performance, both financial and non financial for the year under review, in this instance 2010-2011. The report is compiled annually in compliance with the Municipal Systems Act and the Municipal Finance Management Act.

One unique thing about this report is that it covers work of two councils, as the new council was inaugurated on 01 June 2011, a month before the end of the financial year we are reporting on. As such, I take this chance to express my sincere gratitude to the previous council for the sterling work they did since 2006. I had the privilege to be part of and be led by the team whose mandate was to stabilize and put back on track a municipality which was unstable since its establishment in 2001. I am also pleased that the transition from one council to the new was smooth and had no negative impact on the administration of the municipality.

I am also pleased to report to council and the community at large that after thorough audits by the Auditor General, for four consecutive financial years including the year we are reporting on, the municipality has obtained Unqualified Audit Opinions. This is indeed heartening as it is an indication that the municipality has turned the corner and is moving in the right direction towards the achievement of a clean audit by 2014. For this I thank the political leadership of the municipality for the role they played in turning this municipality around and the sterling work done by the administration towards the attainment of this good report.

This report includes three components which are critical for a sound annual report i.e. The 2010-2011 Annual Financial Statements; Auditor General's Report and the municipal performance report. Whereas the auditor general's report is the external and independent opinion of the municipal financial and performance information, the performance report is the deals with the attainment of predetermined targets by the municipality. I invite all stakeholders to delve into these reports as a way of ensuring that our democracy is strengthened through knowledge, public scrutiny and transparency.

I take this opportunity, in conclusion, to thank all role players who contributed positively towards good governance of this municipality, more especially the political leadership, municipal staff, ward committees and our public at large.

Thank you.

**MR SAZI MBHELE**  
**MUNICIPAL MANAGER**



# AUDIT COMMITTEE CHAIRPERSON'S REPORT

We are pleased to present our report for the financial year ended 30 June 2011.

## 1. Audit Committee Members and Attendance

In terms of the Municipal Finance Management Act (MFMA) and the Umuziwabantu Municipality's Audit Committee Charter, the Audit Committee as at the 30 June 2011, included four external independent members. None of the members were Councillors.

Prior to the review and subsequent approval of the Audit Committee Charter in March 2011, the membership composition of the Audit Committee included the Municipal Manager and Chief Financial Officer. The Audit Committee included the following members listed hereunder and has met regularly, as per its approved Charter. During the year under review six meetings were held and attended as the schedule below. The following schedule includes attendance to all Performance Audit Committee meetings:-



External Members:- Name of member	Qualification	Appointed	Resigned	Meetings Attended
Mr. Paul Preston	BA LLB	01/07/2010	N/A	5 of 6
Mr. Sipho Nzuza	B.Com, MBA	01/02/2011	N/A	3 of 6
Ms. Chantel Elliot	B.Com (Hons), CA(SA)	01/02/2011	N/A	3 of 6
Mr. Imraan Lockhat	B.Com (Hons), CA(SA)	01/02/2011	N/A	3 of 6
Mr. Silas Hlophe	B.Com(Hons),H Dip Tax	01/07/2010	31/12/2010	3 of 6
Mr. Tumelo Tsotetsi	B.Com(Hons),CA(SA)	01/07/2010	31/12/2010	2 of 6

It is to be noted that the external Membership of the Audit/Performance Audit Committee had undergone a reconstitution twice during the year under review, hence the fluctuating attendance statistics. This did not apply to the internal members for the same reporting period. It is to be noted that with the advent of the new committee, many changes were imminent, one of which was the adoption of the new Audit Committee Charter to exclude internal membership thus ensuring alignment to the King III legislative principles and directive on the matter of independence.



## 2. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2) of the Municipal Finance Management Act, 56 of 2003. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein. A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, among other things, the following:

### Auditors and External Audit

Discuss and review with external auditors, inter alia:

- the nature and scope of the audit function;
- Agreeing to the timing and nature of reports from the external auditors;
- Considering any problems identified in the going concern of the Municipality;
- Review the Auditor-General's management letter and management response; and
- Meeting the Auditor-General at least annually to ensure that there are no unresolved issues of concern.

### Annual Financial Statements

- review and discuss the unaudited annual financial statements with the Accounting Officer prior to presentation of the foregoing financial statements for audit together with recommendations, if any,
- review and discuss with the Auditor-General and the Accounting Officer, the audited annual financial statements to be included in the Annual Report;
- Review significant adjustments resulting from the audit;
- Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.

### Performance Management

- Review of the quarterly reports submitted by internal audit on the performance management system;
- Review the performance management systems ensuring functionality thereof and compliance with relevant legislation;
- Focus on economy, effectiveness, efficiency, reliability and impact applicable to the Municipality's own key performance indicators; and
- Reporting on the outcomes of its review and focus areas to the Council, at least twice per annum.

### Internal Control and Internal Audit

The monitoring and supervising of the effective function of the internal audit including:

- Review risk areas of the operations to be covered in the scope of the internal and external audits;
- evaluating performance, independence and effectiveness of internal audit and external service providers through internal audit;
- review the effectiveness of the internal controls and to consider the most appropriate systems for the effective operation of its business; and





- Initiating investigations within its scope, e.g. employee fraud, misconduct or conflict of interest.
- Interrogating Supply Chain Management including deviations in terms of Section 36 of the Municipal Supply Chain Regulations, and with further reference to threshold amounts in Section 12, and Awards to members of the State in terms of Section 44.

### Ethics

Reviewing the effectiveness of mechanisms for the identification and reporting of:

- any material violations of ethical conduct of Councillors and municipal staff;
- compliance with laws and regulations; and
- Environmental and social issues.

### Compliance

- Carrying out investigations into financial matters as Council may request;
- Reviewing the effectiveness of mechanisms for the identification and reporting of:
- compliance with laws and regulations; and
- The findings of regulatory bodies or audit observations.

The Audit Committee is satisfied that it has complied with its responsibilities and has discharged them properly and efficiently.

## 3. The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and recommended enhancements to the controls and processes. The Municipality's position was made difficult by having no Chief Financial Officer for most of the year in question.

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances. During the year under review several instances of non-compliance were reported by Internal Audit that resulted from a breakdown in the functioning of controls. Various reports of the Internal Auditors as well as the Audit Reports on the Annual Financial Statements and Management Letter of the Auditor-General indicated that the system of internal controls within key management processes had significant weaknesses. The Committee concurs and accepts the findings and recommendations of Internal Audit and is satisfied that once management has implemented the agreed recommendations that this will enhance the current control environment and effectiveness of internal controls.



#### 4. The Quality In-Year Management and Monthly/Quarterly Report Submitted in terms of the MFMA

The Audit Committee received and reviewed performance management reports and is satisfied with the content and quality of these quarterly reports prepared and issued by the Accounting Officer and management during the year under review.

#### 5. Internal Audit Function

During the year under review, an audit plan was prepared based on the Annual Risk Assessment. The following is a list of projects undertaken by Internal Audit, arising from the risk assessment and the overall conclusions of the effectiveness of internal controls:

- Quarterly Reviews of the Performance Management - Quarter 3 & 4 of 2009/10 and Quarter 1&2 of 2010/11
- Payroll Administration (Leave, Time Management & Overtime)
- Contract Management
- Corporate Administration
- Information Technology General Controls – Risk assessment
- Municipal Finance Management Act Compliance Audit
- AG Follow-Up
- Asset, Fleet Management & Stores
- Review of Supply Chain Management
- Revenue Management
- Integrated Development Plan

An annual assessment of the Internal Audit Function had been completed by the Audit Committee. The Audit Committee is satisfied with the performance of the Internal Audit Function and reports that all projects in terms of the approved Risk Based Annual Internal Plan has been duly finalized for the year under review.



## 6. Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General (SA) and the Accounting Officer the audited Annual Financial Statements to be included in the Annual Report;
- reviewed the Auditor-General's management letter and management responses;
- reviewed the accounting policies and practices;
- evaluated the audited Annual Financial Statements to be included in the Annual Report and, based on the information provided to the Audit Committee, considered that the said statements comply in all material respects with the requirements of the MFMA and Treasury Regulations as well as the statements of Generally Recognized Accounting Practice (GRAP).
- Reviewed the particulars of the management action plan in response to the issues raised by the Auditor-General in his report.

## 7. Audit Report: Regularity and Performance: FYE 30 June 2011

The Chairman reserves his right to complete this section at the appropriate time of completion.

## 8. Annual Report: FYE 30 June 2011

The Chairman reserves his right to complete this section at the appropriate time of completion.

## 9. Conclusion

I would like to thank my remarkably competent colleagues for making themselves available to serve on this Committee and for the significant contribution that they have made. As an Audit Committee, we rely to a great extent on the Manager: Internal Audit and his staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Umuziwabantu Municipality.

We are indebted to them for their efficient service and assistance.

We are also grateful to the Municipal Manager, KZN Provincial Treasury, the Office of the Auditor-General (SA), Co-operative Governance and Traditional Affairs (CoGTA) and other invitees to our meetings, including the external service providers, all of whom provided invaluable information to the Committee.



**MR. PAUL PRESTON**  
**CHAIRPERSON: UMUZIWABANTU MUNICIPALITY**  
**EXTERNAL AUDIT/PERFORMANCE AUDIT COMMITTEE**  
**Date: 18 October 2011**





# INTRODUCTION

It is my great pleasure to present the 2010-2011 Annual Report of Umuziwabantu Municipality to this Council. By law, this report must report on progress made by this municipality in line with its budget of the financial year under review.

This report reflects the achievements and challenges against all the five key performance areas which are prescribed nationally. These key performance areas are as follows:

- Basic Service Delivery and Infrastructure Development.
- Municipal Financial Liability and Management.
- Municipal Transformation and Development.
- Local Economic Development.
- Good Governance and Public Participation.

The municipality's 2010/ 2011 Annual Report document represents the long journey that has been traversed by the Umuziwabantu Municipality with regards to service delivery to its citizens. It represents a rigorous process, shared analysis with the community and various stakeholders within the 2010/2011 financial year in making sure that the municipality fulfils its responsibility of being a developmental local government.

Both the political and administrative leadership of the municipality, together with our partners in development, collectively understand the common vision of developing the area. There were various strategic planning workshops, municipal indabas, municipal Integrated Development Plan (IDP) and Budget Road shows, and summits that held in an attempt to create a new development approach that needs to be undertaken by the municipality to guide its development towards the achievement of its vision in 2014.

The development of the Umuziwabantu municipality's IDP, which in principle is reviewed annually, is based on the meaningful contributions that have been made by the members of the community. This has allowed the development of new strategies that ensures that the municipality is still on the right track in fulfilling its development mandate.

We have used the five (5) National Key Performance Areas as our Key Focus Areas that will continue to guide us in our strategic direction. However, the programmes / projects have been refined and refocused in order to be more effective and maximize the service delivery benefits accruing to the community.

## 1.6 Municipal Overview and Profile

The Umuziwabantu Municipality is located on the western boundary of the Ugu District Municipality and shares its borders with the Eastern Cape; Sisonke District and to the east with the Umzumbe and Ezingqoleni Municipalities. The extent of the Umuziwabantu Municipal area is 10 862 ha (1088 km<sup>2</sup>). This area is constituted as follows: **Farmlands, Urban, Tribal, and Forestry.**

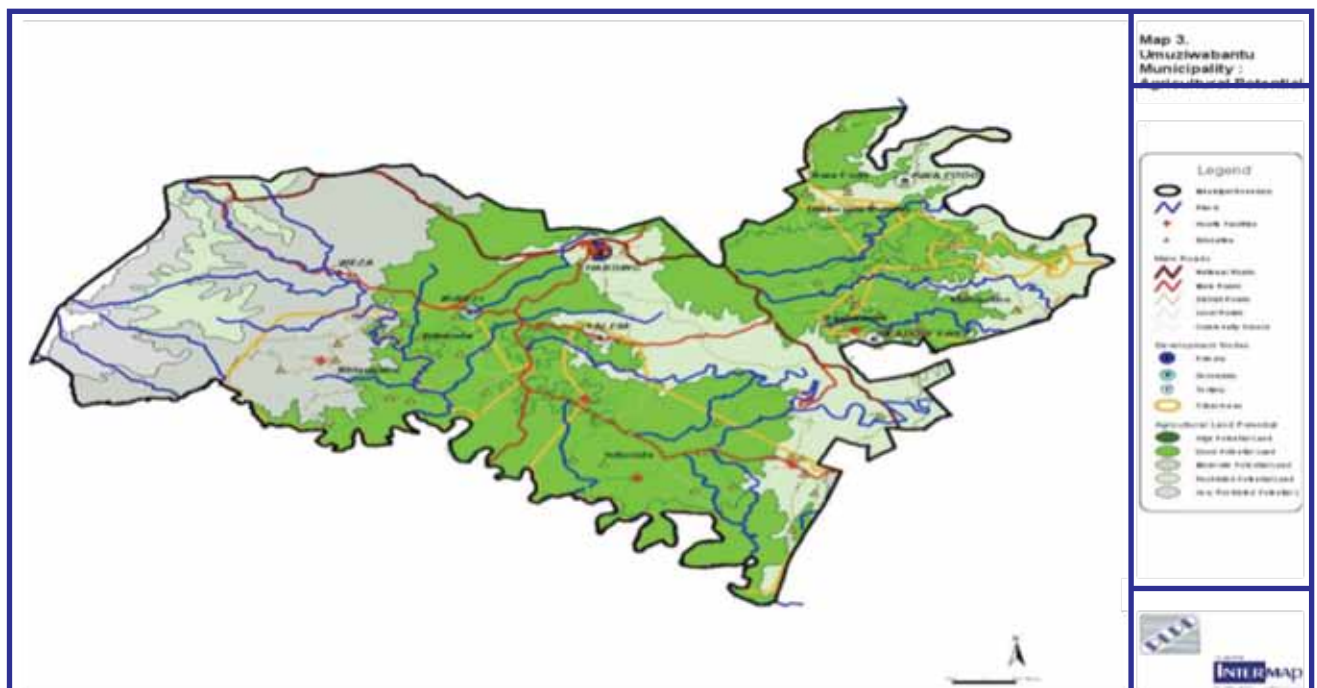


Umuziwabantu Municipality consists of 10 wards with six tribal authorities which are listed below:

- Ward 1: Nhlanguwini, KwaFodo, KwaMbotho and Thokozani Madumisa Tribal Authority and farmland.
- Ward 2: KwaMbotho and Bashaweni Tribal Authority and farmland.
- Ward 3: Harding, part of KwaMbotho Tribal Authority and Farmland.
- Ward 4: Part of Izibonda Tribal Authority (Kwa-Machi)
- Ward 5: Part of Izibonda Tribal Authority (Kwa-Machi).
- Ward 6: Part of Izibonda Tribal Authority (Kwa-Machi)
- Ward 7: Part of Inhlanguano and Izibonda Tribal Authority, Weza State Forest and Farmland
- Ward 8: Part of Izibonda Tribal Authority (Kwa-Machi)
- Ward 9: Part of Inhlanguano and Izibonda Tribal Authority

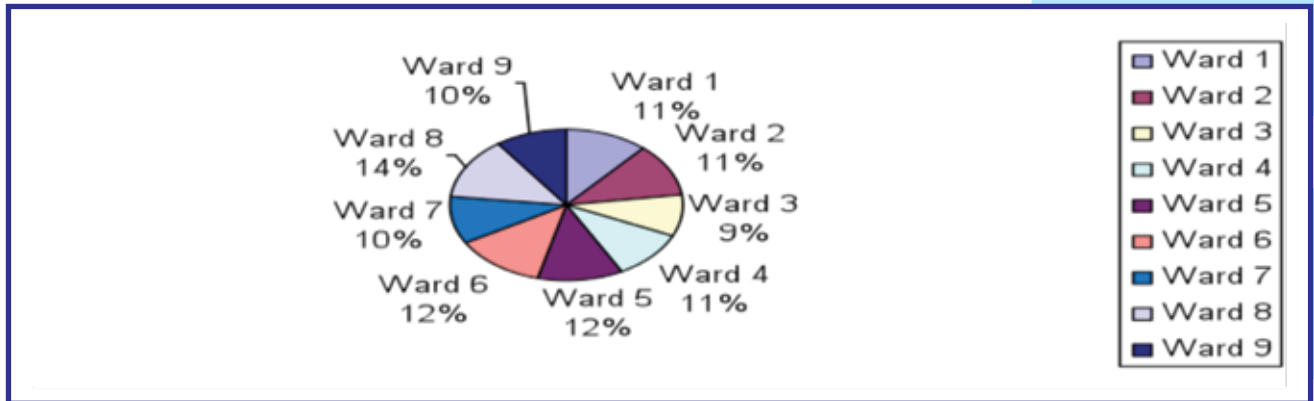
The spine road at Umuziwabantu is the N2 which connects this municipality with Ezingolweni and Port Shepstone on the east and the Eastern Cape on the south east. Connected to the N2 is R56 road which passes through Umzimkhulu; Ixopo and ultimately Pietermaritzburg.

## Population Distribution



In terms of Census conducted in 2001 by Statistics South Africa (2001) Umuziwabantu had a population of 93 720 people, however the 2007 STATSSA community survey estimated the population to have grown to 104 000. A 9.2% increase in 10 years. The statistics show that approximately less than 9% of the population is located within the urban area (Harding Town). The rest of over 91% resides in rural areas, which are characterized by low density and dispersed settlement pattern.

## Population Distribution



# UMUZIWABANTU MUNICIPALITY'S VISION AND MISSION

## VISION

To be a preferred investment destination with superior and sustainable service delivery.

## MISSION

Umuziwabantu shall create an environment that is attractive to investors, thereby creating jobs and improving the quality of life.

## Core Business

The core business of Umuziwabantu Municipality is to provide and facilitate provision of social, economic, agricultural, infra structural and sustainable services to the community of this municipality in an equitable and fair manner, transparent and reliable to all inhabitants.





# UMUZIWABANTU MUNICIPALITY'S PROCESS AND STATUS IDP DEVELOPMENT

In line with the provisions of the Act (MSA, 2000), the Council adopted the 2010/2011 IDP process plan to develop the IDP in August 2009. It further made an invitation via the media for members of the public to register their interest to participate as different interest groups and give direction in terms of Institutional Arrangements, Mechanisms and Procedures for Participation and Alignment, IDP Review Action Programme, and break down the roles and responsibilities.

The IDP Review for 2010 /2011 financial year was prepared in terms of chapter 5 of the Local Government: Municipal Systems Act (Act No 32 of 2000). As mentioned above, the Council adopted its IDP Review Process Plan, for the financial year under review, on the 31st of August 2009. The IDP Review took into consideration the MEC comments that were raised in the 2009 /2010 IDP Review.

There were a number of IDP strategic Planning Sessions which took place between January and February 2010, which involved sector departments, municipalities, stakeholders and private sector aimed at strengthening; integrating; promoting partnership and public participation as well as ensuring that there is alignment of programs and projects between the municipality and the public and private sectors.

During the IDP road shows in March and April, the following key issues were raised as challenges:

- High rate of unemployment
- High Poverty rate
- Low income levels
- Average economic growth
- Transformation on the ownership of land
- Slow delivery on Land Reform Programme
- Land use planning: sparsely distributed population and topography resulting in costly provision of services
- Limited economic potential in rural areas / poor investment in the area due to land under the Ingonyama Trust
- Environmental health and management related issues
- High prevalence of HIV/AIDS
- Skills shortage
- Absence of tertiary education facilities
- High number of child-headed households
- High illiteracy (large percentage of children of school going age are not attending school)
- Water and sanitation backlogs
- Limited and lack of access to schools and basic care centres
- Housing and electricity backlogs
- Limited access to telecommunication
- Poor condition of roads and transport.



## IDP Alignment and Strategic Sessions:

At a strategic planning meeting in January 2010, Umuziwabantu Municipality resolved on the following developmental priorities and high level objectives:

### Developmental Priorities

The Integrated Development Plan (IDP), Local Economic Development (LED) and Land Use Management Systems (LUMS) have mapped out priorities and goals that recognize pressing needs of both local municipality and community and further outline strategies which will effectively lead to redressing the complexities. The municipality has identified developmental strategies classified under the Five National Key Performance Areas.

### High Level Objectives

#### Office of the Municipal Manager:

- To promote a culture of participatory democracy and integration
- To facilitate the creation of a safe environment for all inhabitants
- To fast track the spatial, economic and social integration.

#### Corporate Services:

- To ensure sustainable institutional capacity
- To promote and uphold principles of good governance
- To manage institutional risks.

#### Finance:

- To reduce dependency on grant transfers and actively seek alternative revenue
- To ensure financial sustainability and management
- To uphold treasury standard and norms



### Technical services:

- To promote and facilitate economic transformation, sustainable growth and development
- To promote and facilitate public infrastructure investment
- To promote, facilitate and implement anti-poor development interventions.

## 1.7 Governance Council

It is important that we highlight the change of council on the 1st June 2011. The year under review Umuziwbantu Council comprises of 18 councillors, four of whom are full time. There are two political parties represented in council; the African National Congress and Inkatha Freedom party with the former being represented by 12 councillors (66.67%) and the latter by 6 (33.33). The political party and gender representation in the Umuziwbantu municipal Council is as follows:

Period July 2010 – May 2011

PARTY	COUNCILLORS	FEMALE	MALE
African National Congress	12	4	8
Inkatha Freedom Party	6	2	4

On the 1st June 2011 a new council was inaugurated which increased the number of wards from 9 to 10 and councillors 18 to 19. The political party and gender representation in the Umuziwbantu Municipal Council is currently as follows:

PARTY	COUNCILLORS	FEMALE	MALE
African National Congress	12	4	8
Inkatha Freedom Party	2	1	1
National Freedom Part	4	0	4
Democratic Alliance	1	0	1
TOTAL	19	5	14





## OUTGOING EXECUTIVE COMMITTEE

The executive committee consists of 3 members and the Speaker, who is an ex-officio member. The following are members of the executive committee:

### EXECUTIVE COMMITTEE

July 2010 – May 2011



HIS WORSHIP THE MAYOR CLLR AD NGUBO EXCO CHAIR  
AND HEAD OF FPCC PORT FOLIO COMMITTEE



COUNCIL CHAIRPERSON  
CLLR ZR MBUTHUMA



DEPUTY MAYOR, CLLR SJ NCWANE  
HEAD: PLANNING, LED, HOUSING PORTFOLIO



CLLR NB DLAMINI  
HEAD: COMMUNITY SERVICES  
PORTFOLIO

# OUTGOING COUNCIL MEMBERS

## COUNCIL MEMBERS

July 2010 – May 2011



CLLR ZR MBUTHUMA – COUNCIL CHAIRPERSON  
ANC



CLLR AD NGUBO (WARD 8)  
ANC



CLLR SJ NCWANE  
ANC



CLLR NB DLAMINI (WARD 1)  
IFP



## OUTGOING COUNCIL MEMBERS

July 2010 – May 2011



CLLR SW VETHE (WARD 4)  
ANC



CLLR MV MJABEKA (WARD 7)  
ANC



CLLR SS MBONWA (PR)  
IFP



CLLR T NCIKI (WARD 5)  
ANC



CLLR Z GWIJA (PR)  
ANC



CLLR S NHLOKWANA (WARD 6)  
ANC



CLLR XR MJAJA (PR)  
ANC



CLLR ZN CWELE (PR)  
IFP



CLLR MB GAVU (PR)  
ANC



CLLR EN MIYA (PR)  
IFP



CLLR HJ NGUBELANGA (WARD 9)  
ANC



CLLR ATC HOUSTON (WARD 3)  
ANC



CLLR SJ MBUTHUMA (PR)  
IFP



CLLR SO NJONGO (WARD 2)  
IFP



# INAUGURATED 1ST JUNE 2011

## THE EXECUTIVE COMMITTEE MEMBERS



HER WORSHIP THE MAYOR CLLR D NCIKI  
(WARD 3) ANC



CLLR AD NGUBO (WARD 8)  
ANC



CLLR MB GAVU  
DEPUTY MAYOR (WARD 10) ANC



CLLR NB DLAMINI (WARD 1)  
EXCO MEMBER



## INCOMING COUNCIL MEMBERS



CLLR D NCIKI  
MAYOR ANC



CLLR AD NGUBO  
SPEAKER ANC



CLLR M GAVU  
DEPUTY MAYOR ANC



CLLR AB DLAMINI  
EXCO MEMBER NFP

## FULL COUNCIL



CLLR SO NJONGO (WARD 2)  
NFP



CLLR CP NKOMO (WARD 5)  
ANC



CLLR CZ SKOSANA (WARD 1)  
NFP



CLLR SW VETHE (WARD 6)  
ANC



CLLR HJ NGUBELANGA  
(WARD 9) ANC



CLLR MW VEZI (WARD 3)  
IFP



CLLR MP MTESHANE (WARD 4)  
IFP



CLLR MS CHARANE (WARD 4)  
ANC



CLLR AM CELE (WARD 4)  
DA



CLLR MJ JALI (WARD 2)  
ANC



CLLR ATC HOUSTON (WARD 3)  
ANC



CLLR MV NYATHI (WARD 7)  
ANC



CLLR X NDLANGISA (WARD 2)  
NFP



CLLR TH CHILIZA (WARD 8)  
ANC



CLLR DS DLAMINI (WARD 4)  
ANC



# POWERS & FUNCTIONS

The council has both the legislative and the executive powers. It is chaired by the Speaker, Councillor A D Ngubo. His duties as listed in municipal delegations are:

- Presides at meetings of the council and signs the minutes of the council meetings;
- ensures that council meets at least quarterly;
- Co-ordinates the arrangements regarding dates and venues for the meetings.
- Maintains order during meetings of the council and ensures that the meetings are conducted in compliance with the Council's Rules of Order;
- Performs all other duties assigned to him/her in the Council's Rules of Order of the Council;
- Ensures compliance with the Code of Conduct for councillors;
- Authorises any investigation or enquiry into suspected or alleged impropriety by councillors  
or any alleged breaches of the Code of Conduct for councillors;
- Determines where and when council meets;
- Convenes special meetings of council at his/her discretion or on request of the majority of councillors she/he must do so.

In accordance with Council resolution of 16 March 2006, Council delegated some powers to the Executive Committee with an exception of those expressly excluded by law. Some of these exclusions include:

- a. The passing of by-laws;
- b. The approval of budgets;
- c. The imposition of rates and other taxes, levies and duties; and
- d. The raising of loans.
- e. Setting of tariffs;
- f. Entering into service delivery agreements in terms of section 76(b) of the Municipal Systems Act;
- g. Appointment of the Municipal and section 56 managers; and
- h. Approval or amendment of the integrated development plan.

## Council Portfolio Committees

Council has three portfolio committees:

- Finance; budget control and Corporate Services
- Planning; Housing; LED and infrastructure Development
- Community Services



PORTFOLIO COMMITTEE	TERMS OF REFERENCE
<b>Finance; budget and Corporate Services</b>	<ul style="list-style-type: none"> <li>• Municipal finance including billing;</li> <li>• Municipal rating and taxation;</li> <li>• Municipal insurance;</li> <li>• Municipal banking and investments;</li> <li>• Loans and governmental subsidies;</li> <li>• Grants in aid</li> <li>• Labour Relations</li> <li>• Occupational Health and Safety</li> <li>• The leasing, letting, hiring and alienation of the goods and intellectual property of municipality in accordance with a system which is fair, equitable, transparent, competitive and cost effective;</li> <li>• Implementing and maintaining an effective and efficient information technology system, catering for all the needs of the municipality;</li> <li>• Obtaining proper legal services for the municipality;</li> <li>• Providing adequate, effective and efficient secretarial, agenda and minuting services to the Municipal Council and its Committees;</li> <li>• Acquisition and provision of adequate municipal offices and related accommodation;</li> <li>• Implementing and maintenance of an approved records system; Carrying out of certain ancillary functions;</li> <li>• Play an oversight role on all Human Resources issues, including but not limited to: recruitment; training &amp; development; occupational health and safety; employee assistance and benefits; labour relations and</li> <li>• Development of municipal policies and bylaws.</li> </ul>
<b>Community Services</b>	<ul style="list-style-type: none"> <li>• Municipal health services;</li> <li>• Squatting;</li> <li>• Groups with special needs (youth; women; elderly and the disabled);</li> <li>• Street Vending;</li> <li>• Education, crèches, welfare in general and religious services;</li> <li>• HIV and AIDS</li> <li>• Business licensing;</li> <li>• Cemeteries and crematoria;</li> <li>• Refuse removal, refuse dumps and solid waste disposal;</li> <li>• Cleansing, road and storm water maintenance; and</li> <li>• Building maintenance</li> <li>• Disaster management</li> <li>• Traffic services</li> <li>• Fire fighting services</li> </ul>
<b>Planning; LED; Housing and Infrastructure</b>	<ul style="list-style-type: none"> <li>• Local economic development;</li> <li>• Promotion of industrial development;</li> <li>• Land matters;</li> <li>• Rendering of basic services</li> <li>• Electricity and gas reticulation;</li> <li>• Storm water management systems in rural and urban areas;</li> <li>• Street lighting;</li> </ul>



## PORTFOLIO COMMITTEE

**Planning; LED; Housing and Infrastructure**

### IDP FORUM

## TERMS OF REFERENCE

- Capital roads items and construction;
  - Storm water capital items;
  - Housing Projects;
  - Housing development; and
  - Housing Projects administration
- 
- Coordinate and facilitate IDP Projects
  - Debates and review IDP objectives
  - Integrates sectorial and other stakeholders strategic plans
  - Propose recommendations to both EXCO and Council
  - Integration and formulation of projects

### Report on Sitting of Council and its Committees:

COMMITTEE	MEETINGS SCHEDULED	MEETINGS HELD	% OF SITTINGS
Council	10	10	100%
Exco	10	5	50%
Finance; Budget Control and Corporate	3	3	100%
Housing Forum	6	5	83%
Community Services	8	8	100%
Planning, Led, Housing & Infrastructure	7	7	100%
IDP Representative Forum	5	7	140%
Labour Forum	4	4	100%

### Statistical report on the sitting of Committee Meetings





# UMUZIWABANTU MUNICIPALITY

## REPORT ON COUNCILLORS ATTENDANCE TO MEETINGS

	COUNCIL		EXCO		FINANCE	
Names	No of meetings	attended	No of meetings	attended	No of meetings	attended
CLlr A D Ngubo	10	7	10	8	3	3
CLlr S J Ncwane	10	9	10	9	3	1
CLlr Z R Mbuthuma	10	9	10	6	3	2
CLlr N B Dlamini	10	6	10	7		
CLlr Z N Cwele	10	6				
CLlr M B Gavu	10	7				8
CLlr P M Gwija	10	9				8
CLlr ATC Houston	10	10				
CLlr S S Mbonwa	10	5				8
CLlr J S Mbuthuma	10	3		3	2	
CLlr E N Miya	10	6				
CLlr M V Nyathi	10	8		3	3	
CLlr X R Mjaja	10	6				8
CLlr D Nciki	10	8				
CLlr H J Ngubelanga	10	10				
CLlr S Nhlokwana	10	4		3	2	
CLlr S O Njongo	10	4		3	0	
CLlr S W Vethe	10	9		3	3	



# UMUZIWABANTU MUNICIPALITY

## REPORT ON COUNCILLORS ATTENDANCE TO MEETINGS

COMM SERVICES		LOCAL LABOUR FORUM		PLANNING		IDP		H/SETTLEMENT	
No of meetings	attended	No of meetings	attended	No of meetings	attended	No of meetings	attended	No of meetings	attended
8	1	4	1	7	4	5	3	6	2
8	4			7	7	5	4	6	5
8	4			7	4	5	4	6	5
8	7					5	1	6	2
			7	7	5	3	6	4	
6					5	2	6	4	
8					5	3	6	4	
			7	6	5	2	6	6	
6					5	1	6	2	
					5	0	6	1	
			7	5	5	4	6	5	
	4	4			5	2	6	5	
7					5	4	6	4	
			7	6	5	2	6	6	
			7	5	5	3	6	6	
					5	5	6	2	
					5	0	6	1	
					5	5	6	4	



# PERFORMANCE HIGHLIGHTS AND CHALLENGES

## 2.1 Top 10 2010/2011 Municipal Challenges

The public participation processes during the year and internal analysis has revealed the following as the top ten challenges our municipality is facing:

Top Ten (10) Priority Challenges (in no order of priority)

1. Housing Backlogs
2. Electricity in-fills
3. Water and Sanitation backlog
4. Roads upgrade and maintenance
5. High HIV infections
6. High Unemployment Rate
7. Low Level of skills
8. High poverty levels
9. Inaccessibility of social cluster institutions (health, education, welfare etc.)
10. Under utilization of agricultural resources

## 2.2 Social And Local Economic Development

The municipality has engaged in a number of interventions to address the prevailing situation of high unemployment. Amongst other solutions are the following:

- SMME, National Youth Development Agency (NYDA), and Dept. of Economic Development Help Desk - the Centre is fully operational. The Help Desk is functional with SEDA visiting the Centre every week on Tuesdays. The Centre is located in Harding Central (ward 3) next to the Hospital. This facility was marketed at all nine wards of Umuziwabantu.
- Youth Centre – The Centre Services the needs of the youth particularly with focus on life skills and career guidance. The withdrawal of funding from Umsobomvu has limited the functioning of the Centre especially the outreach programs.





### 2.2.1 Local Economic Development Performance Highlights

- **Ingeli Trails** – Business Plan is complete and project is feasible, DED is expected to counter fund the project. The project didn't kick start in the year under review as expected.
- **Informal Trading** – The sector has been engaged with the view to formalize the sector and put sustainable controls in the allocation of sites. The identification and allocation of sites will be finalized in the 2011/12 financial year. The informal trading sector provides income to a number of local people.
- **Graduate Tourism Programme** – 3 members will be allocated at Umuziwabantu for internship. Resp. Dept. Tourism
- **Flemish Agricultural Projects** – funded with more than R4m by the Flemish and SA government. The project has benefited some local schools and all communities in the nine respective wards. As at 30 June 2011 an amount estimated at R3.2m has already been spent on the project. The integration of the Flemish projects into the municipal programs has been seen a challenge in terms of providing conclusive reports. The project is coming to a close in 2012.

### 2.2 Social And Local Economic Development (cont..)

- **Seed Distribution** – Lists have been submitted to DAEA, it is anticipated that the seed distribution will cost an estimated figure of (R630 000)
- **TV Network** – Some wards have been visited by delegation from Sentech for the signal quality improvement.
- **Cell phone Network** – A cell phone network tower has been installed at KwaJali which will bring improved communication service network. This will improve cell phone connectivity to more than 70% of the municipal area and neighbouring districts. It is however noted that service to Cell C and Vodacom networks have not shown improvements and other areas do not have network service at all.
- The greatest highlight of 2010/11 financial year has seen the Municipality secure the development of the Harding Mall. The Mall construction is set to begin in 2012. It is anticipated that the mall will create a number of casual employment while under construction and provide sustainable job opportunities upon completion.
- Umuziwabantu was honoured by the visit of the MEC for finance in May 2011. The MEC engaged local business sector on the important role the business can play in the improvement of people's lives within different societies.





## Challenges

### Limited Funding

- More Training is required to Coops e.g. Caterers (South African Nutritional Standards)
- Application for grading of B&Bs and lodges
- Limited Office Space – limits access to internship programs (for unemployment. youth).
- Minimal participation of local chamber of commerce Integration of LED and Technical services projects vs. Procurement Policies
- High levels of illiteracy
- HIV and AIDS
- Lack of big corporations to provide employment

## 2.2.2 Social Programmes Performance Highlights

### 2.2.2.1 Arts and Culture

#### Arts and Culture Forum

Ugu District Municipality in partnership with the Department of Arts and Culture has jointly launched Forum within the district wide area in order to embrace and encourage participation of local people in the display of their talents, dance, music and other attributes. The District forum made an undertaking to extend the launch of structures at local level. The Umuziwabantu local Art and Culture forum was launched in March in 2011. The Municipality is currently in the process of launching ward structure for art and culture.

#### Zulu Reed Celebration

The Young girls from Umuziwabantu participated in the Zulu Reed Celebration held in September 2010 in Nongoma, North of KwaZulu Natal.



### 2.2.2.2 Special Programmes

#### HIV and AIDS

01 December 2010 hosted the District World AIDS day at Mfundeni Sports Grounds in ward 7

#### Senior Citizens

The municipality participated in the National Golden games in Richards Bay in October 2010.

The Municipality established and registered 14 senior citizens launch on clubs in all wards.

#### Disability

In July 2010 Umuziwabantu took the first position in District Disability games held at St Martin's De bores in Port Shepstone.







### Women's Day Celebrations

In April 2011 Umuziwabantu hosted the District International Women's day where the function was honoured by 1st lady of the country (Mantuli Zuma)

### Rights of a Child

In an effort to assist young people who travel long distances to get to school every day. The Department of Transport together with Umuziwabantu local municipality provided 600 Bicycles to 32 schools within the Municipality. This program benefitted 600 pupils.



### 2.2.2.3 Youth

#### Youth Council

The Youth forms a large part of the population of Umuziwabantu; it is in this light that the municipality encourages young people to participate in the decisions that are taken by council through formal and organized structures.

The Youth structures below are due for elections, as their term of office have come to an end.

- Umuziwabantu Youth Council
- Youth Forums - in all nine respective wards
- Sport Committees - in all nine wards
- Umuziwabantu Sport Council
- Umuziwabantu Gender Forum
- Gender Forums in all nine wards

#### Youth Advisory Centre Point

The establishment of the Youth Advisory Centre Point began in July 2009 and continues to help young people; the centre was funded by the Umsobomvu Youth Fund and assists young people with the following information:

- Bursary applications
- Career Guidance/Counselling
- Referrals to centre or departments where they source information
- Central applications office forms

#### Inkonzo yabantu Abasha

Umuziwabantu Youth Development Office hosted a motivational prayer day. The prayer seeks to motivate young people as they were preparing for metric examinations; also the program addresses the issue of moral decay and guide young people to the right path.





#### 2.2.2.4 Sports

##### Mayoral Cup

The mayoral cup tournament was held in April 2011. The tournament was a great success. The games were played at ward levels and concluded at the municipal level. The continued support of the mayoral cup has increased the level of participation among young sports enthusiasts.

The municipality participated in the intergovernmental sports games, wherein the municipal team won silver medals.

##### 2010/ 2011 Municipal Soccer Team

###### 2010 Soccer World Cup

The 2010 Soccer World Cup created a joyous mode in most communities, and Umuziwabantu was no different. Umuziwabantu witnessed the visit of the giant Bafana Bafana T-Shirt which was intended to encourage all South Africans to support the national team during the tournament. Umuziwabantu municipality supported the games through transportation of local people to watch the games at the District public screens in Gamalakhe.





## 2.2.2.5 Library

### Successes

Internet @ your Library Service:

The amount of patrons using this service has picked up especially in learning how to use computers. Cyber cadet is offering basic computer training to Umuziwabantu Community members from all wards. The Library cannot take more than 20 learners a month due to few Computers. Each learner spends 2 hours a day in the computer. During the World Cup period in June the library had a few tourists from other countries that used the internet service and they were impressed with the fact that the service rendered by the library for free.

### Stock:

The DoACT has supplied the Library with colour printer, scanner and a kids PC. The Municipality leased a new Photocopying machine.

### Educational Books:

The Library received Educational books from KZNPLS; these are for school projects (Primary and High School).

### Head Count System Report:

Every month the Library receives a monthly report from Head Count. This system gives accurate statistics as to how many people are actually using the Library and identifies peak periods and daily visitor patterns. This report looks at the number of people who enter the Library to use various services even if they are not registered members of the Library.

### Library Services

The Library main users are school children. The Library services three High Schools and six Primary Schools. The Cyber Cadet offers Computer Training at the Library to school learners as well as adult users and out of school youth. 20 people got trained every month. They usually come in the morning each learner takes two hours.

The Library gets busy after school. KZNPLS bought material that supports the school curriculum. These are books that are used to assist learners with their school projects. KZNPLS also supplied the library with a kids P.C. The school children use this P.C. to do internet research for their projects.

Another thing that accounts for the high influx of users to the Library is the other activities that the Librarian initiated. The Library runs a Soul Buddies Club that got 22 members that meets every Friday afternoon.

The Library hosts a Career Exhibition as its Annual Event and then keeps the CAO forms which aid Matriculants to apply for Tertiary Institutions Cyber Cadet downloads all the other application forms from the internet. The entire grade 12 in Harding knows about this service the Library offers.



### Statistics:

#### Membership

Adult	Young Adult	Juveniles	Total
1844	809	1501	4154

#### Internet at Your Library

Users	Learners
8456	1400

## 2.3 Municipal Infrastructure Grant Projects

Below are the highlight of infrastructure development and services:

### 2.3.1 Municipal Infrastructure Grant Projects

PROJECT NAME	ACTUAL MILESTONE
Rehabilitation of Murchison Street for small town rehabilitation in Harding.	Layer works up to stabilized base layer and all the concrete channels and curbing Hancock street. Project is now practically complete, contractor attending to the final snag list.
Rehabilitation of Hawkins Street for Small Town rehabilitation in Harding	Appointment of contractor and re-establishing, project is ongoing!!
Community Park	Completion of the park, landscaping. Currently waiting for Cogta to launch in order for the community to use.
Access Road Nhlabé to Kwangubelanga A2420 in Ward 8	Appointment of the contractor, site hand over and establishment by the contractor. The project is ongoing
Emavatheni access road Ward	The project is 100% complete
Construction of D 926 Roads in Ward 1	The project is 100% complete
Phophoni access road	The project is 100% complete
Mangashuza access road	The Project is 100% complete
Machobeni access road	The Project is 100% complete
Mabhungwini access road	The Project is 100% complete





**Mangashuza Access Road**

### **2.3.2 The Road Infrastructure Network**

Generally roads in Harding Town have improved, though further financial investment is still required to achieve satisfactory standards. The roads connecting Harding town with surrounding areas i.e. Bizana and Umzimkhulu have been left unattended for too long. In the future planning of the municipality the two roads should receive attention in order to unleash the great potential of the Town.

The effort of building good roads infrastructure is sometimes wasted due heavy load trucks using these roads frequently. The revival of the rail network seems the most obvious solution to increase the life span of the road network.

#### **Roads Challenges**

- In adequate storm water drainage
- High water table
- Inadequate storm water management
- Inadequate pavement
- Inadequate road maintenance
- Budget constraints
- Lack of staff capacity

### **2.3.3 Housing Development**

All the housing projects have a target and a maximum of 1000 units per tribal Authority except for the KwaJali tribal Authority. Poor communication between three parties (local municipality, Provincial Human Settlement and Implementing Agent) has caused delays in the implementation of projects i.e. payments, meetings and site inspections. Request for top up funds were submitted to the province for the KwaFodo project thus far no progress has been made as at 30 June 2011.





### 2.3.3 Housing Development

PROJECT	PROGRESS
<b>KwaFodo</b>	The year under review no construction has taken place however 641 Houses have been built and 430 VIP toilets
<b>KwaMbotho</b>	The project is on planning stage (Tranche 1) signature of the MEC has been secured for the project to proceed.
<b>KwaJali</b>	350 slabs have been completed. 111 houses constructed 1. Overall construction is progressing well.
<b>KwaDumisa</b>	100% achieved and 353 houses completed. Overall construction progress is now 100 %. No construction in 2010/2011
<b>Ebashaweni</b>	The project is on planning stage (Tranche 1)
<b>KwaMazakhele</b>	Phase 3 The project is on planning stage (Tranche 1) The DOHS to approve funds for tranche 2. No work conducted in the year under review.
<b>Political Violence damaged Houses Ward 4 and 7</b>	Waiting appoint of contract for installation of bulk services. 16 houses were constructed and completed, projected has been successfully completed



### 2.3.4 Electricity Connection

The municipality received funding of R10, 800 000 from The Department of Energy to attend electricity backlogs within the municipality.

- New electricity connections of 390 households in ward 2 still waiting for funding
- Electricity, still awaiting connections of 750 households in ward 9

#### Electrification of community halls

Eskom appointed a service provider and the project has been completed awaiting connection to the power main. However cluster 1; Mkangala, Marshmount, Mpeshu and Bashawesi community Halls have been connected to the power main. While Cluster 2; Ocigweini, KwaJali, KwaNgubelanga and Estezi are still outstanding.

#### Challenges

- 30% of households still do not have electricity.
- Inadequate capacity in some substations
- Inadequate funding
- Electricity (in-fills) in all wards

## 2.4 Good Governance And Public Participation

### 2.4.1 Participatory Democracy

#### Ward Committees

Umuziwabantu Municipality is made up of 9 Wards, scattered in all the six tribal authorities. Each ward has a ward committee is chaired by a Ward Councillor assisted by PR Councillor in some instances. In terms of the Municipal Structures Act, Act 117 of 1997, the ward councillor serves as the mediator between people in the ward and the municipality, and all reports and requests must be submitted to the office of the speaker. The municipality established ward committees in 2006 and have been functioning reasonably well. In June 2011 the term of office of the ward committees came to an end. The municipality would like to thank each and every one of them for their selfless dedication and contribution to strengthen and deepen democracy within the municipality.

Stipends for members of ward committees were introduced in this financial year. This goes a long way in assisting members of ward committees, more especially those that are unemployed to cover the basic costs of attending monthly meetings and airtime.

#### Challenges

- Migration of some wards committee members during their term of office due to various reasons
- Inconsistencies in performance due to other commitments.
- Huge Expectation from the community on service delivery – this poses serious pressure on the committee to deliver within a short space of time.
- Lack of administrative skills among members.



### **Integrated Development Plan**

The municipality under the leadership of the Mayor and Speaker held 9 (nine) IDP-Budget road shows as well as 9 (nine) Mayoral Izimbizo. In line with the provision of the Municipal Systems Act, Act 32 of 2000, the council adopted its 2010/2011 process plan to develop the IDP in August 2009. The municipality further invited members of the public to submit their interest to participate as different interest groups representatives in the IDP Representative Forum.

There were a number of IDP strategic Planning Sessions which were undertaken between January and February 2010 involving the municipality, sector departments, district municipality; public and private sector in order to strengthen integration; alignment and co-ordination.

### **Role of Traditional Leaders in IDP**

Umuziwabantu Municipality has six tribal authorities spatially dispersed according to the nine wards:

- Bashaweni Tribal Authority
- Mbotho Tribal Authority
- Inhlengano Tribal Authority (KwaJali)
- Izibonda Tribal Authority (KwaMachi)
- Nhlangwini/ Fodo Tribal Authority
- Thokozani Madumisa Tribal Authority (KwaDumisa)

In the Municipal consultative processes, Traditional Authorities are invited to consult and to be role players in the events and programmes delivered by the municipality and other spheres of government. The local authorities have shown great passion and enthusiasm to role players in development local government. The Traditional Authorities are very critical in public participation because of the influence they have on the people belonging to the settlement. The Tribal Authorities are part of all for a like IDP and Housing Forums and their contribution is enormous.

## **2.4.2 Good Governance**

### **Indigent Support**

The municipality continued to fund indigent support on free basic electricity, rates and waste removal. In the year under review the municipality provided free basic electricity to more than 5000 households. Each household receives 50kw free on monthly basis.

The municipality also assisted 154 families to bury their loved ones with dignity through the municipal indigent burial assistance programme.





## 2.4 Financial Viability

### Financial Management

The finance department is primarily responsible for ensuring transparency, accountability sound financial management. This means ensuring that all statutory requirements are adhered to, the monthly financial reports to council, national treasury in-year monitoring reports and annual financial statements were prepared and submitted on time.

The 2010/2011 financial year saw the departure of the Chief Financial Officer in December 2010. The position remained unfilled for a period of 6 months and the municipal manager was acting until the position was filled. The general weakness of small municipalities to keep and attract highly skilled individuals is posing a serious challenge to future development of Umuziwabantu municipalities.

### Policy Reviews and Development

Sound Financial Management and Planning remain a top priority of Umuziwabantu Municipality.

Therefore the following strategies and policies have been developed or reviewed to ensure that a good financial position is maintained.

#### Indigent Policy: Reviewed

The aim of this policy is to create an enabling environment in which a financially sustainable municipal service can be rendered, given that many of the residents cannot afford to pay for those services due to socio-economic hardships.

#### Asset Management Policy: Reviewed

The purpose of this policy is to ensure that Municipal Fixed Assets are:

- Acquired
- Safeguarded
- Controlled
- Accounted for, and
- Disposed Off property

In terms of the Municipal Finance Management Act (MFMA,) Act 56 of 2003, requirements and applicable accounting standards the following policies were also reviewed:



### **Debt and Credit Control: Reviewed**

The strategic aim of this policy is to create an environment in which the objectives of credit control and debt collection can be realized.

### **Property Rates Policy**

The strategic aim of the policy is that there is a need to provide local with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental mandate.

Revenue derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices.

It is essential that municipalities exercise their powers to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the Nation, and which takes account of historical imbalances and the burden of rates on the poor.

### **Municipal Property Rates Act Implementation**

Another highlight on the financial aspect of the municipality has been the preparatory work for the implementation of the MPRA. The municipality was among municipalities which were the last to implement the MPRA. The law prescribed that the 01 July 2009 is the latest date to start charging rates using the new system. The municipality appointed a service provider to implement property valuation. Community representations were invited through the print media and community meetings. This process culminated with the adoption of the rates policy and bylaws. The municipality has begun the implementation of the new billing system for rates.

### **Systems Integration**

One of the problems we have been battling with in the past has been the financial management system which was not integrated. This affected the quality of the output data for financial reports. In many instances this would manifest itself during the audits when data presented conflicts. There was also a lot of duplication in terms of capturing of data, which on its own increased errors. During the year, the finance department successfully integrated the finance system. This has made a huge positive impact on the internal financial data processing and it will improve the quality of our statistical output.



## chapter 3

# HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

## 3.1 Organisational Structure



**MR. S. D. MBHELE**  
**MUNICIPAL MANAGER**



**MRS. T. S. P. KHUZWAYO**  
**CHIEF FINANCIAL OFFICER**



**MRS. N. A. SIGWEBELA**  
**MANAGER: CORPORATE SERVICES**



**MR M. K. GUZOWSKI**  
**MANAGER: TECHNICAL SERVICES**



## Extended Management



**MS E SCHACHINGER**  
ASSISTANT MANAGER: HUMAN  
RESOURCES



**MR. O.P. LANGA**  
ASSISTANT MANAGER:  
EXPENDITURE



**MS N. MAYEZA**  
ASSISTANT MANAGER:  
ADMIN & AUXILIARY SERVICES



**MR. A. WARREN**  
ASSISTANT MANAGER: CLEANSING  
& MAINTENANCE



**MR. W.T. GUMEDE**  
ASSISTANT MANAGER:  
STRATEGIC PLANNING



**MR. I. OGLE**  
ASSISTANT MANAGER: INCOME



**MRS. C. WARREN**  
ASSISTANT MANAGER  
ACCOUNTS AND EQUITY



**MR. K.R. NDLOVU**  
CHIEF TRAFFIC OFFICER



**MR. K. LETEBELE**  
ASSISTANT MANAGER: PMU



**MR. M. MOHLAOLI**  
ASSISTANT MANAGER:  
SPECIAL PROGRAMMES



**MR MBOHO**  
ASSISTANT MANAGER: YOUTH DEVELOPMENT  
CAREER GUIDANCE ADVISOR AND OUTREACH OFFICER



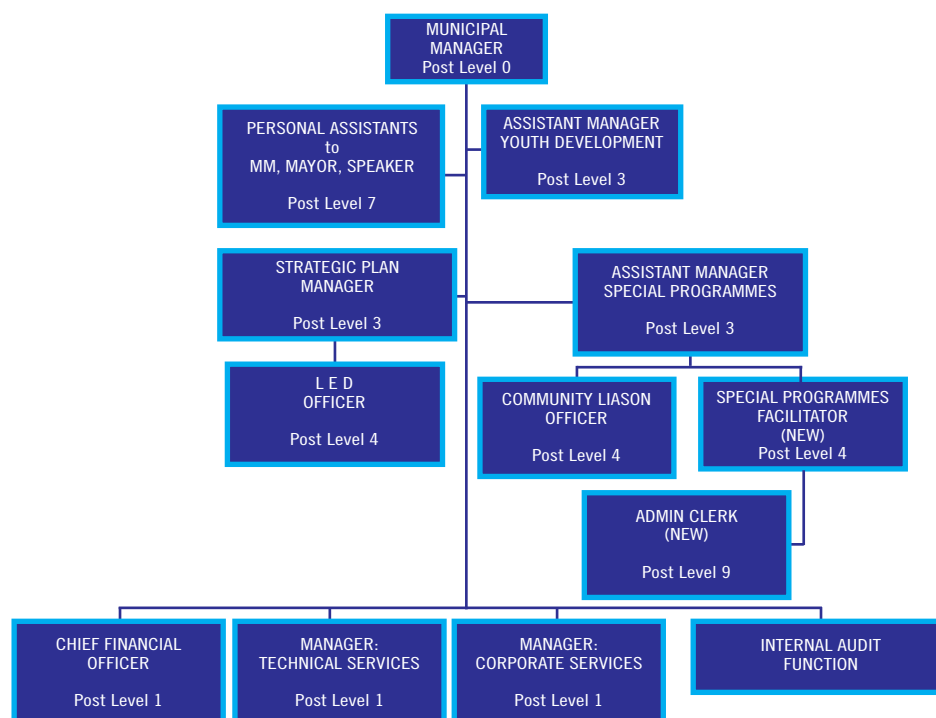
Umuziwabantu Municipality has four Council supporting departments, namely: Office of the Municipal Manager, Technical Services, Treasury and Corporate Services. Each department is headed by a manager. Additional to Managers, the municipality has a staff compliment of 151 permanent members. All section 54 and 56 positions are filled.

### 3.1.1 Office of the Municipal Manager

The office of the Municipal Manager has a staff complement of 12 employees who are responsible for various functions within the municipality. The office of the Municipal manager has the following sections and each of them is assigned an assistant manager:

SECTION	NO. OF EMPLOYEES
Municipal Manager	1
Integrated Development Planning	2
Local Economic Development	1
Special programs	2
Internal Auditing	0
Youth programs	2
TOTAL	8

### OFFICE OF THE MUNICIPAL MANAGER ORGANOGRAM



# TECHNICAL SERVICES DEPARTMENT

The Technical Services Department is headed by a manager and has a total staff complement of 106 employees. Additional to the manager, each of the 5 (five) sections is assigned a manager.

SECTION	NO. OF EMPLOYEES
Refuse	29
Electricity	13
Parks and Gardens	23
Traffic	18
Roads	16
Technical Services Office Based (Holman Street)	07
TOTAL	106



**Mr. Marek K. Guzowski**  
**Manager: Technical Services**



**Mabhungwini Access Road**





# FINANCE DEPARTMENT

During the 2010/ 2011 financial year, the Umuziwabantu Municipality's treasury department was headed by a Chief Financial Officer and three assistant managers, each of them heading a section, i.e equity accounts; expenditure and income.

The total staff complement of the Umuziwabantu Treasury department is 17 employees.

SECTION	NO. OF EMPLOYEES
Chief Financial Officer	1
Income	6
Expenditure	6
Equity	5
TOTAL	18



**Mrs. Thabisile Khuzwayo**  
**Chief Financial Officer**

## Financial Management

The following financial management policies were developed and implemented during the 2010/2011 financial year:

- Supply Chain Management Policy
- Credit Policy
- Debt Collection Policy
- Asset Management Policy
- Property Rates Policy
- Salary Policy

Importantly, the municipality received an unqualified audit opinion during the 2010/2011 financial year.

# CORPORATE SERVICES DEPARTMENT

The Corporate Services department is headed by the Manager and three assistant managers who head the human resources; Administration and Community Services sections.

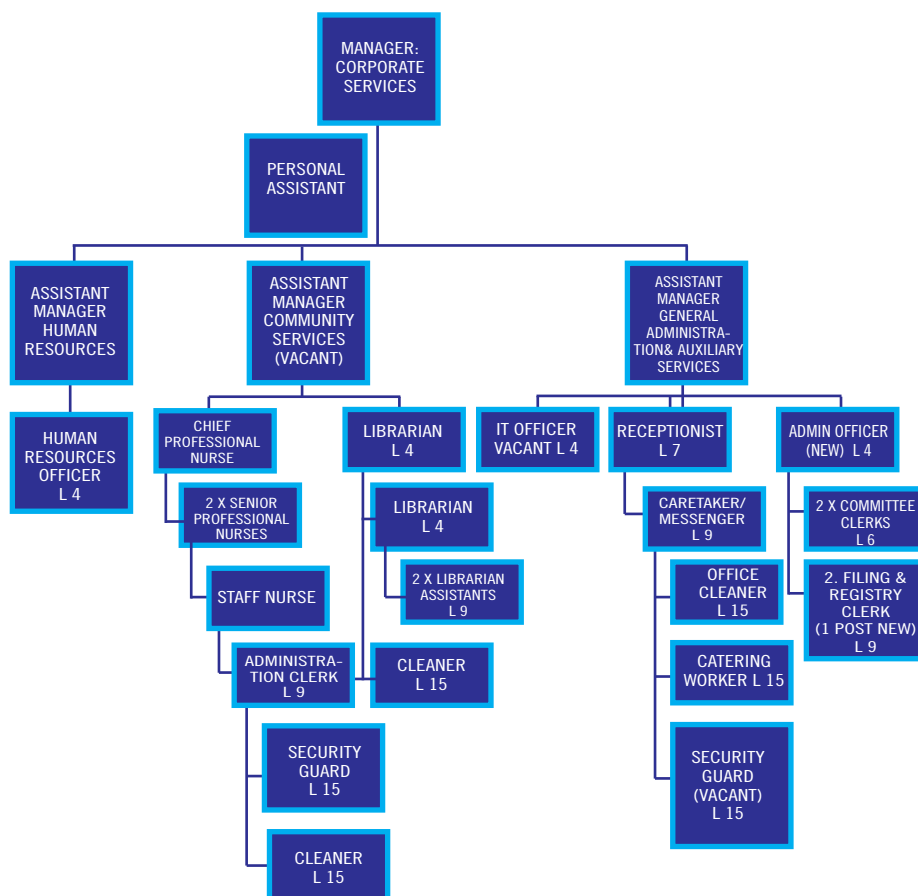
The total staff complement of the Umuziwabantu Corporate Services department is 21 employees.



**Mrs. Nontuthuzelo Sigwebela**  
Manager: Corporate Services

SECTION	NO. OF EMPLOYEES
Manager	1
HR	2
General Administration & Auxillary Services	8
Community Services	10
TOTAL	21

## CORPORATE SERVICES ORGANOGRAM



## 3.2 Human Resources Profile

Below are statistics of permanent employees in terms of their occupational categories. The table also reflects on how the municipality has addressed the requirements of the employment equity act. The remaining challenges in this area are the representation of women and the people with disabilities. However, females are a majority in the top management employees and also a majority at all management levels in totality.

### Employment Equity Report

OCCUPATIONAL LEVELS	MALE				FEMALE				TOTALS
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Top Management	1			1	2				4
Senior Management	6	1		1	1	1		1	11
Professional Qualified	8			1	2	2			13
Skilled	27		1	1	14	1	2		46
Semi Skilled	27	1			3	2			33
Unskilled	42				18				60
Total Permanent	111	2	1	4	40	6	2	1	167





Below is a 2010-2011 training report submitted to the Department of Labour as per the legal requirement.

ANNUAL TRAINING REPORT	MALE				FEMALE				TOTALS
	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	
Legislators									
Directors & Corporate Managers	1	1			1				3
Internship	1				2				3
Learnership	10				20				30
In Service Training	3				2				05
Traffic	4				1				5
Technical Services	1	1							2
Office Of The Municipal Manager					2				2
Finance					1				1
Corporate Services	1					1			2
Totals	21	2			29	1			53



## Training Report - July 2010 To June 2011

Name Of Course / Workshop	Duration	Total Number Of Delegates
Disciplinary Hearing Training	3 Days	02
Batho Pele Work Shop	One Day	06
ODTD Training	One Year From August 2010 – August 2011	02
Peace Officer Course	November 2010 One Week	05
Traffic Officers Course	One Year From January 2011 – December 2012	01
In Service Training	One Year Contracts	05
Learnership In Business Administration	One Year June 2010 – June 2011	30
Specialist In Local Government Management Programme	September 2010 Programme Still In Progress	01

## Attached are the policies adopted in the financial year

29 July 2010	<ul style="list-style-type: none"> <li>- Records Management Policy</li> <li>- Telephone And Cell Phone Policy</li> <li>- Corporate Branding &amp; Furniture Policy</li> <li>- Hire &amp; Use Of Municipal Halls, Buildings &amp; Other Facilities</li> <li>- Indigent Burial Policy</li> </ul>
03 December 2010	<ul style="list-style-type: none"> <li>- Draft Leave Policy And Procedures</li> </ul>
19 January 2011	<ul style="list-style-type: none"> <li>- Fleet Management Policy</li> </ul>
31 March 2011	<ul style="list-style-type: none"> <li>- Draft Overtime &amp; Standby Allowance Policy</li> </ul>
30 June 2011	<ul style="list-style-type: none"> <li>- Travelling And Subsistence</li> </ul>



# DECLARATION OF EXPENDITURE FOR SENIOR OFFICIALS REMUNERATION AND BENEFITS AS FOLLOWS NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>21 OTHER INCOME</b>		
Library – sundry	3,320	160,000
LGSETA	6,209	172,179
Cemeteries - burial fees	32,794	97,536
Hall hire and facilities	61,869	116,250
Building plans and inspections	42,269	109,212
Recovery of stolen monies	150,444	-
Afforestation	126,947	69,777
Other income	39,115	180,632
<b>Total Other Income</b>	<b>462,967</b>	<b>905,586</b>
<b>22 EMPLOYEE RELATED COSTS</b>		
Salaries and Wages	16,724,754	14,382,712
Contributions to UIF, pensions and medical aids	3,797,104	2,981,194
Travel, motor car, accommodation, subsistence, housing and other allowances	1,555,075	1,403,500
Uniforms and protective clothing	3,600	2,216
Overtime payments	1,813,030	1,475,746
Provision for bonuses	659,102	562,034
<b>Total Employee Related Costs</b>	<b>24,552,665</b>	<b>20,807,401</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	601,561	521,545
Car Allowance	126,630	117,735
Contributions to UIF, Medical and Pension Funds	1,497	2,010
<b>Total</b>	<b>729,688</b>	<b>641,290</b>
<b>Remuneration of the Chief Finance Officer (to December 2010)</b>		
Annual Remuneration	216,780	366,531
Car Allowance	49,592	112,155
Contributions to UIF, Medical and Pension Funds	624	1,877
<b>Total</b>	<b>266,996</b>	<b>480,563</b>
<b>Remuneration of Manager of Corporate Services</b>		
Annual Remuneration	423,570	366,531
Car Allowance	120,629	112,155
Contributions to UIF, Medical and Pension Funds	1,497	1,877
<b>Total</b>	<b>545,696</b>	<b>480,563</b>







## chapter 4

# AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2011

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## 4.1 2010/ 2011 Municipal Annual Financial Statements

# UMUZIWABANTU MUNICIPALITY APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 36 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. These annual financial statements are within the upper limits of the framework envisaged in

**S D MBHELE**  
**MUNICIPAL MANAGER**

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### **DISTRICT COUNCIL REPRESENTATIVE**

M.P. Mteshane

### **GRADING OF MUNICIPALITY**

Grade 3

### **AUDITORS**

Auditor General

### **BANKERS**

Nedbank

First National Bank

### **REGISTERED OFFICE**

Murchison Street

HARDING

### **POSTAL OFFICE**

Private Bag X1023

HARDING

4680

### **MUNICIPAL MANAGER**

S D Mbhele

### **CHIEF FINANCIAL OFFICER**

S D Mbhele Acting from December 2011 to June 2011)





# UMUZIWABANTU MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION

### AT 30 JUNE 2011

	Note	2011	2010
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		44,153,647	34,019,505
Current portion of long term receivables	13	122,369	196,231
Inventory	15	136,701	121,353
Debtor	16	12,376,740	11,787,714
VAT 6		6,976,065	2,915,662
Call investment deposits	17	21,036,684	15,832,951
Bank balances	7	3,504,578	3,160,454
Cash 7	510	5,140	
<b>Non-current assets</b>		126,753,70	108,127,769
Property, plant and equipment	9	105,841,532	86,373,011
Intangible Asset	10	83,714	125,498
Investment Property	11	1,661,400	2,878,400
Plantation inventories	14	19,044,042	18,509,061
Investments	12	11,299	11,299
Long-term receivables	13	111,720	230,500
<b>Total Assets</b>		<b>170,907,354</b>	<b>142,147,274</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		38,141,896	19,620,496
Current portion of long - term liabilities	2	185,909	349,290
Unspent grants and receipts	5	28,423,737	12,845,679
Creditors	4	8,803,312	5,658,143
Finance Lease Liabilities	29	202,888	217,222
Consumer deposits	3	526,050	550,162
<b>Non- current liabilities</b>		592,924	967,077
Long -term liabilities	2	296,987	496,777
Finance Lease Liabilities	29	295,937	470,300
<b>Total Liabilities</b>		<b>38,734,820</b>	<b>20,587,573</b>
<b>NET ASSETS</b>		<b>132,172,534</b>	<b>121,559,701</b>
<b>NET ASSETS</b>			
Revaluation reserve		26,468,400	26,468,400
Accumulated Surplus	36	105,704,134	95,091,301
<b>Total Net Assets</b>		<b>132,172,534</b>	<b>121,559,701</b>



# UMUZIWABANTU MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE

### FOR THE YEAR ENDED 30 JUNE 2011

	Note	Actual 2011	Actual 2010
		R	R
<b>REVENUE</b>			
Property rates	18	8,552,172	7,018,268
Property rates-penalties and charges		541,924	367,311
Service charges	19	14,373,918	14,205,874
Rental on facilities and equipment		84,572	105,153
Interest earned-external investments - Afforestation Scheme		98,849	96,159
Interest earned-external investments		1,058,863	1,134,521
Interest received from UGU for DBSA loan		76,929	111,260
Fines		538,841	140,899
Licences and permits		1,905,131	1,916,291
Government grants and subsidies	20	32,476,894	28,617,657
Conditional Grants in terms of GRAP 23	20	-	10,527,004
Capital grants	20	13,814,360	10,502,764
Afforestation Scheme sales		8,506,247	6,374,869
Changes in value of plantation	14	534,981	-
Gains in value of Property, Plant and Equipment	9	750,054	-
Other Income	21	462,967	905,586
<b>Total Revenue</b>		<b>83,776,702</b>	<b>82,023,616</b>
<b>EXPENDITURE</b>			
Employee related costs	22	24,552,665	20,807,401
Remuneration of Councillors	23	4,183,238	4,376,942
Bad debts - contribution to provision		191,614	1,918,810
Depreciation		3,624,786	2,947,934
Repairs and maintenance		2,266,088	1,920,003
Interest paid	25	175,479	237,658
Changes in value of plantation	14	-	1,601,499
Bulk purchases -Electricity	26	12,546,230	9,676,402
Contracted services		1,016,047	750,328
Grant paid - Ugu Tourism		-	100,000
General expenses	38	14,944,057	12,158,033
Afforestation Scheme cost of sales		4,786,146	3,451,073
Afforestation Scheme general expenses		2,552,262	2,373,703
Housing Projects expenditure	20	1,096,965	456,015
Write down of Property, Plant and Equipment	9	1,294,264	-
Loss on disposal of Investment Properties	11	1,217,000	-
Loss on disposal of Property, Plant and Equipment	9	25,931	-
Impairment loss	9	(1,308,903)	3,078,318
<b>Total Expenditure</b>		<b>73,163,869</b>	<b>65,854,119</b>
<b>SURPLUS FOR THE YEAR</b>		<b>10,612,833</b>	<b>16,169,497</b>

Refer to Appendix E (1) for explanation of variances





# UMUZIWABANTU MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS

### FOR THE YEAR ENDED 30 JUNE 2011

	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
<b>2010</b>			
<b>Balance at 30 June 2009 (Reinstated)</b>	<b>17,302,000</b>	<b>85,681,829</b>	<b>102,983,829</b>
Surplus for the year		16,169,497	<b>16,169,497</b>
Revaluation Adjustment	9,166,400		<b>9,166,400</b>
Interest on external investments		47,621	<b>47,621</b>
Depreciation for the year		(112,871)	<b>(112,871)</b>
Correction of error - Provision for bonuses		453,560	<b>453,560</b>
<b>Balance at 30 June 2010</b>	<b>26,468,400</b>	<b>102,239,636</b>	<b>128,708,036</b>
<b>2011</b>			
<b>Balance at 30 June 2010</b>	<b>26,468,400</b>	<b>102,239,636</b>	<b>128,708,036</b>
Correction of errors - PPE (Note 37)		5,126,298	<b>5,126,298</b>
Correction of errors - Intangible assets (Note 37)		121,742	<b>121,742</b>
Correction of errors - Debtors (Note 37)		449,304	<b>449,304</b>
Correction of errors - Conditional grants (Note 37)		(12,845,679)	<b>(12,845,679)</b>
<b>Restated Balance at 30 June 2010</b>	<b>26,468,400</b>	<b>95,091,301</b>	<b>121,559,701</b>
Surplus for the year		10,612,833	<b>10,612,833</b>
<b>Balance at 30 June 2011</b>	<b>26,468,400</b>	<b>105,704,134</b>	<b>132,172,534</b>







# UMUZIWABANTU MUNICIPALITY

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from (utilised in ) operations</b>	27	27,180,162	13,487,027
Interest received		1,157,712	1,341,940
Interest paid		(98,550)	(237,658)
<b>Net Cash from (utilised in ) operating activities</b>		28,239,324	14,591,309
<b>CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(22,312,760)	(23,428,539)
(Increase)/decrease in long term receivables		192,642	203,734
<b>CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES</b>		(22,120,118)	(23,224,805)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans raised/ (repaid)		(551,867)	386,606
Finance lease raised		-	687,521
Increase / (decrease) in consumer deposits		(24,112)	21,733
<b>Net cash generated from / (utilised in ) financing activities</b>		(575,979)	1,095,860
		5,543,227	(7,537,636)
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents</b>			
At the beginning of the year	28	18,998,545	26,536,181
At the end of the year	28	24,541,772	18,998,545
		5,543,227	(7,537,636)



# ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) on an accrual basis of accounting and in accordance with the historical cost convention ,except where indicated otherwise

These standards are summarised as follows :

GRAP	:	Presentation of financial statements
GRAP 2	:	Cash flow statements
GRAP 3	:	Accounting policies, changes in accounting estimates and errors
GRAP 4	:	The effects of Changes in Foreign Exchange Rates
GRAP 5	:	Borrowing Costs
GRAP 6	:	Consolidated and Separate Financial Statements
GRAP 7	:	Investments in Associates
GRAP 8	:	Interests in Joint Ventures
GRAP 9	:	Revenue from Exchange Transactions
GRAP 10	:	Financial Reporting in Hyperinflationary Economics
GRAP 11	:	Construction Contracts
GRAP 12	:	Inventories
GRAP 13	:	Leases
GRAP 14	:	Events after the Reporting Date
GRAP 16	:	Investment Property
GRAP 17	:	Property ,Plant and Equipment
GRAP 19	:	Provisions,Contingent Liabilities and Contingent Assets
GRAP 100	:	Non-Current Assets held for Sale and Discontinued Operations
GRAP 101	:	Agriculture
GRAP 102	:	Intangible Assets
IPSAS 20	:	Related Party Disclosures
IPSAS 21	:	Impairment of Non Cash Generating Assets
IFRS 3	:	Business Combinations
IFRS 7	:	Financial Instruments: Disclosures
IAS 19	:	Employee Benefits
IAS 32	:	Financial Instruments: Presentation
IAS 36	:	Impairment of Assets: Recognition and Measurement
IFRIC 4	:	Determining whether an Arrangement contains a Lease



## **1.1 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2011 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting Policy only if the change :

a) is required by a Standard of GRAP; or

b) result is in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cash flow

## **1.2 Critical Judgements, Estimations and Assumptions**

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements

### **1.2.1 Revenue Recognition**

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue from

Non-exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality

In making their judgement, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions) as far as Revenue from Non- Exchange Transaction is concerned(See basis for Preparation above), and in particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### **1.2.2 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management.

### **1.2.3 Impairment of financial Assets**

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired . In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement.

The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.



#### **1.2.4 Useful Lives of Property, Plant and Equipment**

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciates/amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

#### **1.2.5 Impairment: Write down of Property, Plant and Equipment and Inventories**

Significant estimates and judgements are made relating to Property, Plant and Equipment impairment tests and write down of inventories to Net Realisable Values.

### **1.3 Going Concern Assumption**

These annual financial statements have been prepared on a going concern basis.

### **1.4 Presentation Currency**

The annual financial statements are presented in South African Rand, rounded off to the nearest Rand.

### **1.5 Offsetting**

Assets, Liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

### **1.6 Standards, Amendments to Standards and Interpretations issued but not yet effective**

Management has considered all of the foregoing GRAP standards issued but not yet effective and effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality

The following GRAP standards have been issued but are not yet effective and, accordingly, have not been adopted by the municipality:

GRAP 21	:	Impairment of Non-cash -generating Assets
GRAP 23	:	Revenue from Non-exchange Transactions ( Taxes and Transfer)
GRAP 24	:	Presentation of Budget information in Financial Statements - issued November 2007
GRAP 25	:	Employee Benefits
GRAP 26	:	Impairment of Cash-generating Assets
GRAP 103	:	Heritage Assets
GRAP 104	:	Financial Instruments





The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19	:	Employee benefits
IFRIC 17	:	Distribution of Non-cash Assets to owners
IAS 39	:	Financial Instruments: Recognition and Measurement

Management has considered all of the above-mentioned GRAP standards issued but yet effective and anticipates that the adoption of these standards will not have a significant impact of the financial position, financial performance or cash flows of the municipality

## **2. PROPERTY, PLANT AND EQUIPMENT**

### **2.1 Initial Recognition**

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used for more than one year

The cost of an item of property, plant and equipment is recognised as an asset if, and equipment is recognised as an asset if, it is probable that future economic benefits or services potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed costs being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. A non exchange transaction, the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in non monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost must then be measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.



## 2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de recognises the part of the asset being replaced and capitalises the new component.

Subsequently, all property, plant and equipment, except for Infrastructure assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

## 2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Taxi Ranks	20	Vehicles	5
		Disaster Management	2-10
Community		Office equipment	2-10
Buildings	30	Furniture and fittings	2-10
Refuse Dump	20	Plant and equipment	2-15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually , and adjusted prospectively if appropriate, at each reporting date.

## 2.4 Land

Land is stated at the values reflected in the valuation roll. The effective date of the last valuation was 1 July 2009

## 2.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.



## **2.6 Finance Leases**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the Municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

## **2.7 Infrastructure Assets**

Infrastructure assets are any asset that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

## **2.8 Derecognition of Property, Plant and Equipment**

The carrying amount of an item of property and equipment is derecognised on disposal, or when no future economic benefits or services potential are expected from the use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gain are not included in revenue

Gains or losses are calculated as the difference between the net book value of assets ( cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property,plant and equipment.

## **2.9 Impairment**

### **2.9.1 Impairment of Cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash -generating unit is the higher of its fair value less costs to sell and its value in use

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit



An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## **2.9.2 Impairment of Non-cash Generating Assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the assets

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash -generating unit is the higher of its fair value less costs to sell and its value in use

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amount of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.





A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **3. INTANGIBLE ASSETS**

#### **3.1 Initial Recognition**

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as Intangible assets. The Municipality recognises an intangible asset in its statement of Financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for nominal consideration, its cost is its fair value as at the date it is acquired. When an intangible asset is acquired in exchange for a non-monetary asset, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable its cost is the carrying amount of the asset(s) given up.

#### **3.2 Subsequent Measurement, Amortisation and Impairment**

Amortisation is charged on a straight line basis over the intangible assets' useful lives, which are estimated to be between three to five years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised for example, servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

#### **3.3 Derecognition**

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



## 4. INVESTMENT PROPERTIES

### 4.1 Initial Recognition

Investment Property includes property (Land or Buildings, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transactions costs once it meets the definition of investment property. However, where an investment property was acquired through a non exchange transactions (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- all properties held to earn market -related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties; land held for a currently undetermined future use (if the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- a building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases  
(this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property Plant and Equipment,

Inventory or Non-current Assets held for sale, as appropriate;

- property intended for sale in the ordinary courses of operations or in the process of construction or development for such sale;
- owner -occupied property , including (among other things) property held for future use as owner occupied property  
property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel(whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal
- property that is being constructed or developed for future use as investment property'
- property that is leased to another entity under a finance lease
- property held to provide a social service and which also generates cash inflows, e.g. Property rented out below market rental to sporting bodies, schools, low income families,etc; and  
property held for strategic purposes or service delivery



## 4.2 Subsequent Measurement

Investment property is measured using the cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is at 20 -30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

## 5. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

### 5.1 Financial Assets - Classifications

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality may have the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Unlisted Investments
- Investments on Fixed Deposits(Banking institutions)
- Long-term receivables
- Consumer deposits
- Other debtors
- Bank, Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Assets	Classification in terms of IAS 39.09
Unlisted Investments - Stock	Held at Fair value through profit and loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents - Call deposits	Available for sale
Long term receivables	Loans and receivables
Consumer deposits	Loans and receivables
Other debtors	Loans and receivables
Investment in Fixed deposits	Held to maturity
Bank,Cash and Cash Equivalents - Notice dep	Held to maturity

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions;

- they are classified as held for trading; or
- upon initial recognition they are designated at fair value through the Statement of Performance



Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-Maturity investments; or
- Financial assets at fair value through the Statement of Performance.

Loans and Receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost using the effective interest rate method less a provision for impairment.

Held-to-Maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible in known amounts of cash, which are held with the registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of cashflow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as a Financial asset : Available for sale.

## 5.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The Municipality may have the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term Liabilities
- Creditors
- Bank Overdraft
- Short term loans
- Current portion of Long term Liabilities
- Consumer deposits

There are two main categories of Financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) fair value through profit and loss; or
- (ii) not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchased with the intention to sell or repurchase in the short-term; derivatives other than hedging instruments are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised in the Statement of Financial Performance.





Any other financial liabilities are classified as other Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Held-to-Maturity investment and loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

In accordance with IAS39.39 the financial liabilities are all classified as financial liabilities that are not measure at fair value through profit and loss.

## **6. INVENTORIES**

Consumable stores are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the weighted average method

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

## **7. ACCOUNTS RECEIVABLE AND CREDITORS**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade creditors are stated at their nominal value.

## **9. REVENUE RECOGNITION**

### **9.1. Revenue from Exchange Transactions**

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividends.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the Municipality not met the condition, a liability is recognised.



## 9.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance

Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## 10. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

## 11. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it 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 reporting sheet date and adjusted to reflect the current best estimate.

## 12. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

## 13. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act



(Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **14. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **15. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **16. VALUE ADDED TAX**

The Municipality accounts for Value Added Tax on invoice basis

#### **17. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

#### **18. RELATED PARTIES**

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

#### **19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent assets and Contingent Liabilities are not recognised, Contingencies are disclosed in Note 32 to the Annual Financial Statements.

#### **20. COMPARATIVE INFORMATION**

##### **20.1 Current year comparatives**

Budgeted amounts have been included in the Annual Financial Statements for the current financial year



## 20.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re classified. The nature and reason for the reclassification is disclosed

## 21. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers.

Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actually valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

## 22. INVESTMENTS

Financial instruments, which include short-term deposits invested in recognised commercial banks, are stated at cost.

## 23. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

## 24. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## 25. HOUSING DEVELOPMENT FUND

The Housing Development Fund is cash-backed and is dedicated to housing needs.

The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

## 26. CHANGES IN ACCOUNTING POLICIES , ESTIMATES AND ERRORS

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period - specific effects or the cumulative effect of the change in policy in such cases the municipality reinstated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies





Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements, Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective is practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

## 27. AFFORESTATION

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM).

In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality.

Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.

All expenses incurred in maintaining and protecting the assets are recognised in the income statement. Finance charges are not capitalised.



# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>1. HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	<b>4,293,922</b>	<b>4,293,922</b>
The Housing development fund is represented by the following assets and liabilities		
- Property, plant and equipment	763,053	873,265
- Housing rental debtors	50,376	50,376
- Cash resources	3,770,230	3,630,168
Sub- total	4,583,659	4,553,809
- Creditors	(289,737)	(259,887)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>4,293,922</b>	<b>4,293,922</b>
<b>2. LONG -TERM LIABILITIES</b>		
Annuity Loans	482,896	852,999
Adjustment	-	(6,932)
	482,896	846,067
Less: Current portion transferred to current liabilities	(185,909)	(349,290)
<b>Total External Loans</b>	<b>296,987</b>	<b>496,777</b>
Refer to Appendix A for more detail on borrowings. In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa. Since then all loan charges relating to these loans have been paid by the Ugu District Municipality - The loans are still in the name of the Umuziwabantu Municipality. These loan balances at 30 June 2011 totalled R 345 349 (2010 : R 537 990)		
<b>3. CONSUMER DEPOSITS</b>		
Electricity	526,050	550,162
	<b>526,050</b>	<b>550,162</b>
Consumer deposits are paid by consumers on application for new electricity connections. The deposits are paid when the electricity connections are terminated. In cases of consumers defaulting on their accounts the municipality can apply the deposit as payments for any outstanding balance		
<b>4 CREDITORS</b>		
Trade creditors	4,899,530	2,388,060
Housing creditors	289,737	259,887
Staff leave	1,334,749	1,004,027
Provision for Bonuses	659,102	562,035
Other creditors	1,620,194	1,444,134
<b>Total creditors</b>	<b>8,803,312</b>	<b>5,658,143</b>



# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date. The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.		
<b>5. UNSPENT GRANTS AND RECEIPTS</b>		
<b>5.1 Conditional grants from other spheres of Government</b>		
Specific Projects (see note 20) and Appendix F		
See Note 20 for reconciliation of grants from other, the unspent grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. The unspent conditional grants and receipts are invested in investment accounts until utilised.		
	<b>28,423,737</b>	<b>12,845,679</b>
<b>6. VAT</b>		
VAT receivable	<b>6,976,065</b>	<b>2,915,662</b>
VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS		
<b>7. BANK BALANCES AND CASH</b>		
<b>7.1 The Municipality has the following bank accounts :</b>		
Current Account (Primary Bank Account)		
Nedbank - Harding		
Account Number - 1165033615		
Cash Book balance at beginning of year	806,957	3,537,948
<b>Cash Book balance at end of year</b>	<b>1,778,528</b>	<b>806,957</b>
Bank Statement balance at beginning of year	783,999	3,538,098
<b>Bank Statement balance at end of year</b>	<b>1,449,525</b>	<b>783,999</b>
Current Account (Afforestation Scheme) (see note 33)		
First National Bank-Bank Street : Pietermaritzburg		
Account Number - 50932742767		
Cash Book balance at beginning of year	2,353,497	3,100,347
<b>Cash Book balance at end of year</b>	<b>1,726,050</b>	<b>2,353,497</b>
Bank Statement balance at beginning of year	2,353,497	3,100,347
Bank Statement balance at end of year	<b>1,726,050</b>	<b>2,353,497</b>
<b>Cash Book balance at end of year</b>	<b>3,504,578</b>	<b>3,160,454</b>
<b>7.2 Cash balances</b>	<b>510</b>	<b>5,140</b>
<b>8. OPERATING LEASE LIABILITIES/PAYABLES</b>		
Operating leases are recognised on the straight-line bases as per the requirement of GRAP 13 in respect of non-cancellable operating leases the following liability have been recognised		



# **UMUZIWABANTU MUNICIPALITY** **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>8.1 Municipality as Lessee:</b>		
Operating leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for Property, Plant and Equipment which fall due as follows		
<b>Municipality as Lessee</b>		
With one year	274,072	151,213
In the second to third years, inclusive	86,213	13,698
Over three years		-
<b>Total operating lease arrangements</b>	<b>360,285</b>	<b>164,911</b>
The following has been recognised in the statement of performance:	213,703	164,911
<b>Total operating lease expenses</b>	<b>213,703</b>	<b>164,911</b>
<b>8.2 Municipality as Lessor:</b>		
Operating leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses.		
<b>Land and Buildings</b>		
With one year	-	68,320
In the second to third years, inclusive	-	-
Over three years	-	-
Total operating lease arrangements		
The following income has been recognised in the statement of performance:	-	<b>68,320</b>





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	Land	Buildings	Infrastructure Roads	Infrastructure Electricity
	R	R	R	R
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>				
<b>9.1 Reconciliation of Carrying Value</b>				
<b>1 July 2010</b>	<b>23,590,000</b>	<b>8,354,783</b>	<b>34,883,418</b>	<b>8,666,818</b>
Cost/Revaluation	23,590,000	13,089,052	38,440,447	11,623,323
Accumulated depreciation and impairment losses	-	(4,734,269)	(3,557,029)	(2,956,505)
Acquisitions		7,605,426	8,884,917	863,641
Assets fair valued		101,228		
Depreciation		(465,502)	(1,245,934)	(288,713)
Carrying value of write downs	-	-	(1,294,264)	
Cost/Revaluation			(1,489,886)	
Accumulated depreciation and impairment losses			195,622	
Carrying value of disposals	-	-	-	
Cost/Revaluation				
Accumulated depreciation and impairment losses				
Impairment loss/Reversal of impairment loss		113,488	27,182	174,752
Transfers		(3,691,279)	(2,733,141)	
<b>30 June 2011</b>	<b>23,590,000</b>	<b>12,018,144</b>	<b>38,522,178</b>	<b>9,416,498</b>
Cost/Revaluation	23,590,000	17,104,427	43,102,337	12,486,964
Accumulated depreciation and impairment losses	-	(5,086,283)	(4,580,159)	(3,070,466)
Refer to Appendix B for more detail on property, plant and equipment, The effective date of revaluation of land was 1 July 2009, and an independent valuer, Millsfitchet, was appointed to do the valuation. The valuation was determined at market related values or recent market transactions at arms's length, or were estimated.				
<b>9.2 Reconciliation of Carrying Value</b>				
<b>1 July 2009</b>	<b>14,840,000</b>	<b>8,818,835</b>	<b>25,550,204</b>	<b>7,798,047</b>
Cost/Revaluation	14,840,000	12,972,303	26,830,710	10,318,148
Accumulated depreciation and impairment losses		(4,153,468)	(1,280,506)	(2,520,101)
Acquisitions	-	867,087	12,497,521	1,305,175
Assets fair valued	8,750,000			
Depreciation	-	(467,313)	(818,527)	(261,652)
Carrying value of disposals	-	-	-	
Cost/Revaluation	-	-	-	
Accumulated depreciation and impairment losses	-	-	-	
Impairment loss/Reversal of impairment loss	-	(113,488)	(1,457,996)	(174,752)
Transfers	-	(750,338)	(887,784)	
<b>30 June 2010</b>	<b>23,590,000</b>	<b>8,354,783</b>	<b>34,883,418</b>	<b>8,666,818</b>
Cost/Revaluation	23,590,000	13,089,052	38,440,447	11,623,323
Accumulated depreciation and impairment losses	-	(4,734,269)	(3,557,029)	(2,956,505)
Refer to Appendix B for more detail on property, plant and equipment, The effective date of revaluation of land was 1 July 2009, and an independent valuer, Millsfitchet, was appointed to do the valuation. The valuation was determined at market related values or recent market transactions at arms's length, or were estimated.				
Had the land been carried at cost the amount will have been nil. The revaluation surplus as at 30th of June 2010 of R23,590,000 includes the current years increase of R8,750,000				
<b>DEPRECIATION AND AMORTISATION EXPENSE</b>		<b>2011</b>	<b>2010</b>	
Property, plant and equipment		(3,583,002)	(2,939,147)	
Intangible assets		(41,784)	(8,787)	
Investment property carried at cost		-	-	
<b>Total Depreciation and Amortisation</b>		<b>(3,624,786)</b>	<b>(2,947,934)</b>	



# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011 - cont...

Infrastructure Other	Heritage	Other Assets	Under Construction	Finance Leases	Afforestation	Total
R	R	R	R	R	R	R
<b>1,281,811</b>	-	<b>6,593,900</b>	<b>1,638,122</b>	<b>995,193</b>	<b>368,967</b>	<b>86,373,012</b>
2,651,072		11,548,383	1,638,122	1,291,093	460,809	104,332,301
(1,369,262)	-	(4,954,483)	-	(295,900)	(91,842)	(17,959,290)
51,275		951,331	3,398,267		557,903	22,312,760
1,300		647,526				750,054
(97,418)		(1,310,097)		(141,165)	(34,173)	(3,583,002)
-	-	-			-	(1,294,264)
						(1,489,886)
						195,622
-	-	(25,931)			-	(25,931)
		(30,410)				(30,410)
		4,479				4,479
169,780		864,509		(40,808)		1,308,903
			6,424,420			-
<b>1,406,748</b>	-	<b>7,721,238</b>	<b>11,460,809</b>	<b>813,220</b>	<b>892,697</b>	<b>105,841,532</b>
2,703,647	-	13,116,830	11,460,809	1,291,093	1,018,712	125,874,819
(1,296,900)	-	(5,395,592)	-	(477,873)	(126,015)	(20,033,288)
<b>1,319,605</b>	-	<b>7,084,901</b>		<b>446,834</b>	<b>502,556</b>	<b>66,360,982</b>
2,254,408		9,820,019		602,100	681,337	78,319,025
(934,803)	-	(2,735,118)		(155,266)	(178,781)	(11,958,043)
190,664	-	1,497,251		688,993	41,601	17,088,292
206,000		231,105			-	9,187,105
(98,592)	-	(1,087,601)		(140,634)	(64,829)	(2,939,147)
-	-	-			(110,362)	(110,362)
-	-	-			(236,910)	(236,910)
-	-	-			126,548	126,548
(335,867)	-	(1,131,764)			(126,548)	(3,340,415)
-	-	-	1,638,122		-	-
<b>1,281,811</b>	-	<b>6,593,899</b>	<b>1,638,122</b>	<b>995,193</b>	<b>368,967</b>	<b>86,373,011</b>
2,651,072	-	11,548,382	1,638,122	1,291,093	460,809	104,332,300
(1,369,262)	-	(4,954,483)	-	(295,900)	(91,842)	(17,959,290)





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>10 INTANGIBLE ASSETS</b>		
At cost less Accumulated Depreciation and Impairment Losses	<b>83,714</b>	<b>125,498</b>
<b>10.1 Reconciliation of Carrying Value</b>	<b>Computer Software</b>	
	<b>R</b>	
<b>1 July 2010</b>	<b>125,498</b>	
Cost/Revaluation	241,895	
Accumulated depreciation and impairment losses	(116,397)	
Acquisitions	-	
Assets fair valued	-	
Depreciation	(41,784)	
Carrying value of disposals	-	
Cost/Revaluation	-	
Accumulated depreciation and impairment losses	-	
Impairment loss/Reversal of impairment loss	-	
Transfers	-	
<b>30 June 2011</b>	<b>83,714</b>	
Cost/Revaluation	241,895	
Accumulated depreciation and impairment losses	(158,181)	
<b>10.2 Reconciliation of Carrying Value</b>		<b>Computer Software</b>
		<b>R</b>
<b>1 July 2009</b>		<b>12,545</b>
Cost/Revaluation		241,895
Accumulated depreciation and impairment losses		(229,350)
Acquisitions		-
Assets fair valued		-
Depreciation		(8,787)
Carrying value of disposals		-
Cost/Revaluation		-
Accumulated depreciation and impairment losses		-
Impairment loss/Reversal of impairment loss		-
Transfers		-
<b>30 June 2010</b>		<b>125,498</b>
Cost/Revaluation		241,895
Accumulated depreciation and impairment losses		(116,396)
<b>Significant Intangible Assets:</b>		
Significant intangible assets, that did not meet the recognition criteria for intangible assets as stipulated in GRAP 102, are the following		
(i) Website costs incurred have been expensed and not recognised as intangible assets.		
The amortisation expense has been include in the line item "Depreciation" in the Statement of Financial Performance		

# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

	Note	2011	2010
		R	R
<b>11 INVESTMENT PROPERTIES</b>			
At fair value		<b>1,661,400</b>	<b>2,878,400</b>
<b>11.1 Reconciliation of Carrying Value</b>	<b>Vacant land</b>	<b>Other</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>1 July 2010</b>	<b>2,878,400</b>	-	<b>2,878,400</b>
Cost/Revaluation	2,878,400	-	2,878,400
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Revaluation	-	-	-
Depreciation	-	-	-
Carrying value of disposals	(1,217,000)	-	(1,217,000)
Cost/Revaluation	(1,217,000)	-	(1,217,000)
Accumulated depreciation and impairment losses	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
<b>30 June 2011</b>	<b>1,661,400</b>	-	<b>1,661,400</b>
Cost/Revaluation	1,661,400	-	1,661,400
Accumulated depreciation and impairment losses	-	-	-
<b>11.2 Reconciliation of Carrying Value</b>		<b>Vacant land</b>	<b>Other Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>1 July 2009</b>	<b>2,462,000</b>	-	<b>2,462,000</b>
Cost/Revaluation	2,462,000	-	2,462,000
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Assets fair valued	-	-	-
Depreciation	-	-	-
Carrying value of disposals	<b>416,400</b>	-	<b>416,400</b>
Cost/Revaluation	416,400	-	416,400
Accumulated depreciation and impairment losses	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements*	-	-	-
<b>30 June 2010</b>	<b>2,878,400</b>	-	<b>2,878,400</b>
Cost/Revaluation	2,878,400	-	2,878,400
Accumulated depreciation and impairment losses	-	-	-
<b>Investment Properties consist of various</b>			
land where council has not determined			
future use and the fair value disclosed was			
based on evaluation by an independent			
valuer, Mills Fitchet, who holds a recognised			
and relevant professional qualification and			
has recent experience in the category of the			
valued investment properties.			
The most valuation was performed in 1 July 2009,			





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>12 INVESTMENTS</b>		
Unlisted:		
Shares	10,799	10,799
Afforestation	500	500
<b>Management's valuation of unlisted investments</b>	<b>11,299</b>	<b>11,299</b>
<b>13 LONG -TERM RECEIVABLES</b>		
Ugu Municipality (DBSA Loan)	234,089	429,776
Adjustment	-	(3,046)
<b>Reinstated balance</b>	<b>234,089</b>	<b>426,730</b>
Short term portion	(122,369)	(196,231)
	<b>111,720</b>	<b>230,500</b>
<b>14 PLANTATION</b>		
Plantation standing timber - Afforestation Scheme	<b>19,044,042</b>	<b>18,509,061</b>
<p>The increase in fair value during the year was R534 981 (2010: R1 601 499 decrease)</p> <p>Plantation inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the Statement of Financial Performance. All expenses incurred in maintaining and protecting the assets are recognised in the Statement of Financial Performance.</p> <p>Finance charges are not capitalised.</p> <p>The Scheme held 1,049 (2010 : 1,049) hectares of plantations at year end. The Scheme is exposed to financial risks arising from changes in standing timber prices. The Scheme does not anticipate that standing crop prices will decline significantly in the foreseeable future, and therefore, has not entered into any derivative or other contract to manage the risk of a decline in standing crop prices.</p> <p>The Scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.</p>		
<b>15 INVENTORY</b>		
Inventory as per general ledger - Electrical equipment	106,888	177,392
Afforestation Scheme	21,530	17,756
Other	8,283	4,261
Impairment	-	(78,056)
<b>Inventory represents consumable stores and electrical stores</b>	<b>136,701</b>	<b>121,353</b>
The inventory value is considered as the lower of cost or net realisable value.		



# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
<b>16 CONSUMER AND OTHER DEBTORS</b>			
<b>Service debtors</b>	<b>Gross Balances</b>	<b>Provision for bad debts</b>	<b>Net Balances</b>
Rates	9,005,130	-	9,005,130
Refuse	804,026	(631,184)	172,842
Electricity	2,206,969	(745,618)	1,461,351
Sundry	3,765,201	(2,027,784)	1,737,417
	<b>15,781,326</b>	<b>(3,404,586)</b>	<b>12,376,740</b>
Trade receivables		12,016,125	9,690,077
Other debtors		3,765,201	5,310,609
Provision of bad debts		(3,404,586)	(3,212,972)
<b>TOTAL DEBTORS</b>		<b>12,376,740</b>	<b>11,787,714</b>
<b>RATES: AGEING</b>			
Current		591,088	(256,147)
30 days		471,306	249,172
60 days		403,875	492,252
90 days		425,374	433,011
120 days		559,126	365,811
150 + days		6,554,361	5,560,275
		<b>9,005,130</b>	<b>6,844,375</b>
<b>ELECTRICITY, REFUSE: AGEING</b>			
Current		1,034,419	(52,073)
30 days		666,155	1,035,963
60 days		307,789	621,191
90 days		116,757	188,214
120 days		49,170	106,649
150 + days		836,705	945,758
		<b>3,010,995</b>	<b>2,845,702</b>
<b>RECONCILIATION OF DOUBTFUL DEBT PROVISION</b>			
Balance at the beginning of the year		(3,212,972)	(1,294,162)
Contributions to provisions		(191,614)	(1,918,810)
Doubtful debts written off against provision		-	-
		<b>(3,404,586)</b>	<b>(3,212,972)</b>

The Credit Control Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt. The provision is made annually and is calculated by analysing all those above 90 days. The recoverable of debt owing by each above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rate as these amounts are considered to be fully recoverable.





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>17 CALL INVESTMENT DEPOSITS</b>		
Other deposits	<b>21,036,684</b>	<b>15,832,951</b>
<b>18 PROPERTY RATES</b>		
Actual		
Residential	2,953,710	2,463,589
Commercial and Industrial	2,954,895	3,051,852
State	1,841,026	1,120,664
Agriculture	323,085	153,850
Public Service Infrastructure	4,315	2,055
Communal	475,141	226,258
<b>Total Assessment Rates</b>	<b>8,552,172</b>	<b>7,018,268</b>
<b>Valuations</b>		
Residential	326,041,000	320,463,000
Commercial and Industrial	204,772,000	224,412,000
State	260,660,000	262,675,000
Agriculture	279,727,000	279,589,000
Public Service Infrastructure	4,787,928	3,287,928
Communal	90,503,000	90,503,000
Municipal Properties	20,687,400	46,968,400
Worship	10,396,000	8,514,000
<b>Total Property Valuations</b>	<b>1,197,574,328</b>	<b>1,236,412,328</b>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate rand ages for Domestic, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Market related interest is levied on outstanding rates.</p>		
<b>19 SERVICE CHARGES</b>		
Sale of electricity	13,281,027	13,177,525
Refuse removal	1,092,891	1,028,349
<b>Total Service Charges</b>	<b>14,373,918</b>	<b>14,205,874</b>



# **UMUZIWABANTU MUNICIPALITY** **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	29,244,009	23,879,728
Specific projects	2,135,920	3,318,052
Housing projects	1,096,965	456,015
Health subsidies	-	963,862
	32,476,894	28,617,657
Specific projects - GRAP 23	-	10,527,004
Capital grants	13,814,360	10,502,764
<b>Total Government Grants and Subsidies</b>	<b>46,291,254</b>	<b>49,647,425</b>
20.1 Equitable share		
Unspent at beginning of year	-	-
Current year receipts	31,349,724	23,879,728
Used to finance capital expenditure	(2,105,715)	-
Conditions met - transferred to revenue	(29,244,009)	,879,728)
Unspent at end of the year (see note 5)	-	-
20.2 Specific projects		
Unspent at beginning of year	12,845,679	6,098,136
Current year receipts	29,422,623	20,568,359
Capital expenditure funded - transferred to revenue	(11,708,645)	(10,502,764)
Conditions met - transferred to revenue	(2,135,920)	(3,318,052)
Unspent grants	<b>28,423,737</b>	<b>12,845,679</b>
20.3 Housing projects		
Unspent at beginning of year	-	-
Current year receipts	1,096,965	456,015
Conditions met - transferred to revenue and expenditure	(1,096,965)	(456,015)
Conditions still to be met - transferred to liabilities (see note 5)	-	-
<b>21 OTHER INCOME</b>		
Library - sundry	3,320	160,000
LG SITA	6,209	172,179
Cemeteries - burial fees	32,794	97,536
Hall hire and facilities	61,869	116,250
Building plans and inspections	42,269	109,212
Recovery of stolen monies	150,444	-
Afforestation	126,947	69,777
Other income	39,115	180,632
<b>Total Other Income</b>	<b>462,967</b>	<b>905,586</b>







# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>22 EMPLOYEE RELATED COSTS</b>		
Salaries and Wages	16,724,754	14,382,712
Contributions to UIF,pensions and medical aids	3,797,104	2,981,194
Travel, motor car, accommodation, subsistence, housing and other allowances	1,555,075	1,403,500
Uniforms and protective clothing	3,600	2,216
Overtime payments	1,813,030	1,475,746
Provision for bonuses	659,102	562,034
<b>Total Employee Related Costs</b>	<b>24,552,665</b>	<b>20,807,401</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	601,561	521,545
Car Allowance	126,630	117,735
Contributions to UIF,Medical and Pension Funds	1,497	2,010
<b>Total</b>	<b>729,688</b>	<b>641,290</b>
<b>Remuneration of the Chief Finance Officer (to December 2010)</b>		
Annual Remuneration	216,780	366,531
Car Allowance	49,592	112,155
Contributions to UIF,Medical and Pension Funds	624	1,877
<b>Total</b>	<b>266,996</b>	<b>480,563</b>
<b>Remuneration of Manager of Corporate Services</b>		
Annual Remuneration	423,570	366,531
Car Allowance	120,629	112,155
Contributions to UIF, Medical and Pension Funds	1,497	1,877
<b>Total</b>	<b>545,696</b>	<b>480,563</b>
<b>Remuneration of Manager of Technical Services</b>		
Annual Remuneration	398,669	339,095
Car Allowance	120,629	103,491
Contributions to UIF, Medical and Pension Funds	1,497	1,752
<b>Total</b>	<b>520,795</b>	<b>444,338</b>
<b>23 REMUNERATION OF COUNCILLORS</b>		
Mayor	553,777	575,154
Deputy Mayor	415,360	489,398
Councillors	3,214,101	3,312,390
<b>Total</b>	<b>4,183,238</b>	<b>4,376,942</b>





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>In-kind Benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Member are full-time and are provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties		
Councillors may utilise official council transportation when engaged in official duties.		
The following additional support is provided by the municipality: The mayor has one full time bodyguard/driver		
<b>24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>24.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	10,800	174,960
Amount paid - current year	(10,800)	(174,960)
Amount paid - previous years	-	-
<b>Balance unpaid</b>	-	-
<b>24.2 Audit fees</b>		
Opening balance	-	-
Current year audit invoices	1,014,180	1,119,577
Amount paid - current year	(1,014,180)	(1,119,577)
Amount paid - previous years	-	-
<b>Balance unpaid</b>	-	-
<b>24.3 VAT</b>		
VAT inputs receivables and VAT outputs payable are shown in note 6. All Vat returns have been submitted by the due date throughout the year.		
<b>24.4 PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	3,392,529	2,956,574
Amount paid - current year	(3,392,529)	(2,956,574)
Amount paid - previous years	-	-
<b>Balance unpaid</b>	-	-





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>24.5 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5,318,629	4,256,548
Amount paid - current year	(5,318,629)	(4,256,548)
Amount paid - previous years	-	-
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>25 INTEREST PAID</b>		
DBSA- Water	76,929	111,260
DBSA- Electricity	41,109	72,161
Afforestation Scheme	237	-
Finance Lease Liabilities	57,204	54,237
	<b>175,479</b>	<b>237,658</b>
<b>26 BULK PURCHASES</b>		
Electricity	<b>12,546,230</b>	<b>9,676,402</b>
Electricity Distribution Losses for the year 2010/2011 are 37% of the Kwh bought and R 4 642 105 in rand value Electricity Distribution Losses for the year 2009/2010 were 17% of the Kwh bought and R 1 678 224 in rand value		
<b>27 CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	10,612,833	16,169,497
Adjustment in respect of: -		
Depreciation for the year	3,624,786	2,947,934
Impairment losses	(1,308,903)	3,078,318
Fair value adjustments	(750,054)	450,091
Write down of PPE	1,294,264	-
Loss on disposal of Investment Properties	1,217,000	-
Loss on disposal of PPE	25,931	-
Interest paid	98,550	237,658
Investment income	(1,157,712)	(1,341,940)
Provision for Staff leave, Bonuses	-	1,015,594
Contribution to bad debts provision	191,614	1,918,810
Investment income allocated to Reserves	-	47,621
Changes in value of plantation	(534,981)	-
Cash contributions from the public and state	-	3,683,931
<b>Operating surplus before working capital changes:</b>	<b>13,313,328</b>	<b>28,207,514</b>







**30. RETIREMENT BENEFITS**

The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (only the 2010 interim has been completed).

**30.1 Superannuation**

A statutory (an interim) actuarial valuation of the Fund was carried out for the period ending 31 March 2010 (31/03/2009). The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by: **348,300,000 -24,900,000** made up as follows:

**For service to 31 March 2010**

for pensioners - surplus funding level 138.0% (2006: deficit funding level 100.5%)	<b>134,100,000</b>	<b>63,400,000</b>
for members - surplus funding level 88.6% (2000: deficit funding level 85.8%)	<b>214,200,000</b>	<b>-88,300,000</b>

The fund did not hold an Investment Reserve at 31 March 2009

**Conclusion**

The funding level of the Fund improved from 95.% to 104.7% (increased from 85.8% to 95.0%) over the valuation period

The actuary is satisfied that the Fund was fully funded and financially sound on the Discounted Cash Flow method; and

The required contribution rate for future service exceeded the contribution rate payable by 1.27% of pensionable salaries.

This will be reviewed at the next interim actuarial valuation of the fund at 31 March 2009 when the outcome of a possible merger with the Retirement Fund will be known with more certainty.

**30.2 Provident Fund**

The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2009 were that the net market value of the Fund's assets were not sufficient to fully cover the members' share account and to provide total reserves of **574 mil 604,7 mil**

The liabilities of the Fund exceeded the assets by a small deficit (or unallocated assets) of **13,9 mil 3.3 mil**

which represents 0,5% of assets, is a feature of the smoothed bonus approach followed by the Fund and will be met from future investment earnings

**Conclusion**

The investment reserve account far exceeds the deficit, so the fund is financially sound as at the valuation date. Thus the Investment reserve should remain at 7% and the recommendation is that no final bonus be declared on the members' full benefits for the year to the valuation date

The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2009

**30.3 Retirement Fund**

The salient features of the interim (interim) valuation of the fund at 31 March 2009 are:

The actuarial value of total assets of the fund was in excess of the actuarial value of the liabilities for the service of members to that date and for pensioners by 368,600,000 550,700,000 made up as follows:

**For service to 31 March 2010**

for pensioners - funding level 134.7% (2006 : funding level 116.2%) - surplus	398,500,000	538,900,000
for members - funding level 82.6% (2006 : funding level 73,0%) - deficit	-29,900,000	11,800,000
The fund was thus funded	104.70%	98.80%

The fund did not hold an Investment Reserve.

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently

	17.00%.	14.00%.
and members pay	1.65%	1.65%

Based on the valuation assumptions applied in 2000 the shortfall was expected to be fully funded by 2010

During the previous interim valuation the actuary found that the mortality assumption for pensioners was not in line with actual experience and so the assumption was changed.

Accordingly, the current surcharge is required to continue for a further two years after 2010 to be fully funded.

**Conclusion**

The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund, including the surcharges are sufficient to meet the shortfall by 30 June 2010 and based on the revised assumptions, which allow for the improving pensioner mortality, an extension of the surcharge for a further two years is necessary



# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>31 COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>	<b>43,495,500</b>	<b>52,222,633</b>
Approved but not yet contracted for	<b>27,197,498</b>	<b>47,526,699</b>
Infrastructure	22,754,990	42,008,345
Community	2,288,908	700,000
Other	2,153,600	4,818,354
Approved and contracted for	16,298,001	4,695,934
<b>Commitments in respect of operating expenditure</b>	<b>3,976,317</b>	<b>256,149</b>
31 Approved and contracted for	3,976,317	256,149
	<b>47,471,817</b>	<b>52,478,782</b>
<b>32 CONTINGENT LIABILITY</b>		
To management's knowledge no contingent liability was incurred during the year under review.		
<b>33 AFFORESTATION</b>		
<p>The municipality's plantations are known as The Umuziwabantu Municipality Harding Afforestation Scheme. This Scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by The Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (Pty) Ltd, a wholly owned subsidiary of the co-operative. In terms of this agreement NCT Tree Farming (Pty) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee. Further, NCT Tree Farming (Pty) Ltd is not entitled to any payment other than the recovery of direct costs should the forestry operation not make a profit, or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (Pty) Ltd's negligence in terms of the agreement. No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operations have been incorporated on a line-by-line basis into the financial statements.</p>		





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>34 PRIVATE PUBLIC PARTNERSHIPS</b>		
The municipality was not a party to any Private Public Partnerships during the financial year 2010/2011		
<b>35 EVENTS AFTER REPORTING DATE</b>		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2011		
<b>36 ACCUMULATED SURPLUS</b>		
Capital Replacement Reserve	2,596,186	6,996,498
Capitalisation Reserve	3,981,424	3,981,424
Government Grant Reserve	43,043,395	29,229,034
Donation and Public contributions reserve	142,352	142,352
Housing Development Fund	4,293,922	4,293,922
Accumulated Surplus due to the results of operations	51,646,855	50,448,071
	<b>105,704,134</b>	<b>95,091,301</b>
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus		
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is invested in Capital Instruments.		
The Capitalisation Reserve is the carrying value of the items of Property, Plant and Equipment from the former legislated funds. The capitalisation reserve ensures community wealth and is not cash backed		
The Donation and Public Contributions Reserve equals to the carrying value of the items of Property, Plant and Equipment financed from Public Contributions and Donations. The reserve ensures community wealth and is not cash backed		
The Government Grant Reserve equals to the carrying value of items of Property, Plant and Equipment financed from government grants. The government grant reserve ensures community wealth and is not cash backed.		







# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>37 CORRECTION OF ERRORS</b>		
<b>Property, Plant and Equipment</b>		
The prior year figures of Property, Plant and Equipment have been restated as follows :		
Cost - has been reduced by		(12,977)
Accumulated Depreciation and Impairment Losses - has been reduced by		5,139,275
		<b>5,126,298</b>
<b>Intangible Assets</b>		
The prior year figures of Intangible Assets has been Reinstated as follows :		
Accumulated Depreciation and Impairment Losses - has been reduced by		<b>121,742</b>
<b>Debtors</b>		
The prior year figures of Debtors has been restated as follows :		
Accounting for 13th cheques		560,564
UGU debtor adjustment for interest incorrectly raised		(111,260)
		<b>449,304</b>
<b>Conditional grants</b>		
Reversing the incorrect disclosure of unspent conditional grants as income		
- 2009		2,318,675
- 2010		10,527,004
		<b>12,845,679</b>
<b>Accumulated Surplus</b>		
The prior year figure has been restated by decreasing it by		<b>(7,148,335)</b>
<b>38 GENERAL EXPENSES</b>		
Free basic electricity	2,157,670	1,368,424
FMG expenses	1,999,966	976,155
Electricity and water	726,913	94,430
Stores	459,768	321,377
Fuel and oil	824,584	426,954
Audit fees	802,040	660,002
Telephone	881,543	556,590
Travelling expenses	591,719	350,199
Conferences and seminars	435,125	429,986
Printing, stationery and office expenses	512,959	413,886
Other general expenses	5,551,770	6,560,030
	<b>14,944,057</b>	<b>12,158,033</b>





# UMUZIWABANTU MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	R	R
<b>39 UNAUTHORISED EXPENDITURE</b>		
Reconciliation of unauthorised expenditure		
Opening balance	430,459	-
Unauthorised expenditure for the current year	3,964,510	430,459
Approved/Condoned by Council		
Transfer to receivables for recovery		
<b>Unauthorised expenditure awaiting authorisation</b>	<b>4,394,969</b>	<b>430,459</b>
Action		
To furnish the report to council		
<b>40 FRUITLESS AND WASTEFUL EXPENDITURE</b>		
Reconciliation of Fruitless & Wasteful expenditure		
Opening balance	7,849	-
Fruitless & Wasteful expenditure for the current year		7,849
Approved/Condoned by Council		-
Transfer to receivables for recovery		
<b>Fruitless &amp; Wasteful</b>	<b>7,849</b>	<b>7,849</b>
Action		
To furnish the report to council		
<b>41 IRREGULAR EXPENDITURE</b>		
Reconciliation of Irregular expenditure		
Opening balance	1,500	-
Irregular Expenditure for the current year	1,091,065	1,500
Approved/Condoned by Council		
Transfer to receivables for recovery		
<b>Irregular Expenditure</b>	<b>1,092,565</b>	<b>1,500</b>
Action		
To furnish the report to council		
<b>42 COUNCILLORS ACCOUNTS IN ARREAR</b>		
No councillors were in arrears as at 30 June 2011		
<b>43 RELATED PARTIES</b>		
There are no related parties transactions.		
<b>44 SUPPLY CHAIN SECTION 36 DEVIATIONS</b>		
Esquire Technologies	9,099	-
Netwise		7,860
Price Waterhouse Coopers	454,342	-
Harvey World	131,828	-
Fujitsu	353,954	-
	<b>957,083</b>	<b>0</b>



# APPENDIX A

## UMUZIWABANTU MUNICIPALITY

### SCHEDULE OF EXTERNAL LOANS

### FOR THE YEAR ENDED 30 JUNE 2011

EXTERNAL LOANS	Loan	Interest rate	Maturity date
<b>ANNUITY LOANS</b>			
Development Bank SA	Upgrade of Electricity	16.65%	Dec 2010
Development Bank SA	Upgrade of Electricity	16.32%	June 2011
Development Bank SA	Upgrade of Electricity	15.80%	June 2013
Development Bank SA	Upgrade of Water Works	16.02%	June 2013
Development Bank SA	Upgrade of Water Works	16.02%	June 2011
Development Bank SA	Upgrade of Water Works	15.80%	June 2013
Development Bank SA	Upgrade of Water Works	16.48%	Dec 2010
<b>Total</b>			
<b>FINANCE LEASES</b>			
Mercedes-Benz Finance	Mayoral vehicle	11.90%	August 2014
Fleet Africa	Traffic vehicle	14.50%	Sept 2011
Fleet Africa	Traffic vehicle	14.50%	June 2012
<b>Total</b>			
			<b>1,451,383</b>
<p><b>Note</b>            In 2004/2005 all the Water Service balances were taken out of the books because the Water Service became a District Municipality function. These balances included external loans owing to the Development Bank of South Africa. Since then all loan charges relating to these loans have been paid by the UGU District Municipality -The loans are still in the name of the Umuziwabantu Municipality. These loan balances at 30 June 2011 totalled R 345 349.</p>			



**APPENDIX A**  
**UMUZIWABANTU MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS**  
**FOR THE YEAR ENDED 30 JUNE 2011(cont..)**

Balance at 30/06/2010	Received during the period	Redeemed written off during the period	Balance 30/06/2011	Interest paid during the period	Carrying Value of Property Plant & Equipment	Current Portion
R	R	R	R	R	R	R
40,031	(40,031)	-		3,360		-
75,857	(75,857)	-		9,434		-
192,189	(54,642)	137,547		28,315		63,540
258,353	(50,551)	207,802		-		58,843
45,514	(45,514)	-		-		-
192,189	(54,642)	137,547		-		63,526
41,934	(41,934)	0		-		-
<b>846,067</b>	<b>0</b>	<b>(363,171)</b>	<b>482,896</b>	<b>41,109</b>	<b>0</b>	<b>185,909</b>
470,405	(81,682)	388,723		57,204		92,786
51,261	(11,803)	39,458				39,458
83,650	(13,006)	70,644				70,644
<b>605,316</b>	<b>0</b>	<b>(106,491)</b>	<b>498,825</b>	<b>57,204</b>	<b>0</b>	<b>202,888</b>
<b>0</b>	<b>(469,662)</b>	<b>981,721</b>		<b>98,313</b>	<b>0</b>	<b>388,797</b>



# APPENDIX B

## UMUZIWABANTU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

### FOR THE YEAR ENDED 30 JUNE 2011

	Cost /Revaluation					
	Opening Balance	Fair Value	Additions	Under Construction	Disposals	Write Downs
<b>Land</b>	<b>23,590,000</b>					
<b>Buildings</b>	<b>13,839,390</b>	<b>101,228</b>	<b>7,605,426</b>			
<b>Infrastructure</b>	<b>53,602,625</b>	<b>1,300</b>	<b>9,799,833</b>	<b>3,398,267</b>	<b>0</b>	<b>(1,489,886)</b>
Roads	39,328,230		8,884,917	3,398,267		(1,489,886)
Solid Waste	2,645,079	1,300	51,275			
Cemeteries	5,993					
Electricity	11,623,323		863,641			
<b>Other</b>	<b>11,548,384</b>	<b>647,526</b>	<b>951,331</b>		<b>(30,410)</b>	<b>0</b>
Furniture & Office Equipment	1,882,697	65,197	200,864			
Transport Assets	3,635,821	1,891				
Computer Equipment	1,156,916	119,960	133,037		(30,410)	
Machinery and Equipment	4,872,950	460,478	617,430			
<b>Finance Leases</b>	<b>1,291,093</b>					
<b>Afforestation (consolidated)</b>	<b>460,809</b>		<b>557,903</b>			
	<b>104,332,301</b>	<b>750,054</b>	<b>18,914,493</b>	<b>3,398,267</b>	<b>(30,410)</b>	<b>(1,489,886)</b>
Intangible Assets	241,895					
Investment Properties	2,878,400				(1,217,000)	
<p>The effective date of revaluation of land was 1 July 2009 and Independent valuer Millsfitchet was appointed to do the valuation and the valuation was based in the determination of market related values</p>						



# APPENDIX B

## UMUZIWABANTU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

#### FOR THE YEAR ENDED 30 JUNE 2011 (cont..)

	Accumulated Depreciation						
Closing Balance	Opening Balance	Current Year	Disposals	Write Downs	Impairments	Closing Balance	Carrying Value
23,590,000		-				-	23,590,000
21,546,044		4,734,269	465,502		(113,488)	5,086,283	16,459,761
65,312,139	7,882,796	1,632,065	0	(195,622)	(371,714)	8,947,525	56,364,614
50,121,528	3,557,029	1,245,934		(195,622)	(27,182)	4,580,159	45,541,369
2,697,654		1,363,868	97,218		(169,780)	1,291,306	1,406,348
5,993		5,394	200			5,594	399
12,486,964		2,956,505	288,713		(174,752)	3,070,466	9,416,498
13,116,831	4,954,483	1,310,097	(4,479)	0	(864,509)	5,395,592	7,721,239
2,148,758	663,556	305,840			2,799	972,195	1,176,563
3,637,712	1,708,450	353,836			(375,124)	1,687,162	1,950,550
1,379,503	381,259	246,742	(4,479)		57,899	681,421	698,082
5,950,858	2,201,218	403,679			(550,083)	2,054,814	3,896,044
1,291,093		295,900	141,165		40,808	477,873	813,220
1,018,712		91,842	34,173			126,015	892,697
125,874,819	17,959,290	3,583,002	(4,479)	(195,622)	(1,308,903)	20,033,288	105,841,531
241,895		116,396	41,784			158,180	83,715
1,661,400		-				-	1,661,400



# APPENDIX C

## UMUZIWABANTU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

### FOR THE YEAR ENDED 30 JUNE 2011

	Cost /Revaluation					
	Opening Balance	Fair Value	Additions	Under Construction	Disposals	Write Downs
Municipal Manager	460,057	15,844	47,393			523,294
Mayor	32,720					32,720
Council	10,787,114		3,615,393			14,402,507
Corporate Services	24,686,716	86,287	47,579			24,820,582
Human Resources	3,157					3,157
Development/Admin Services	1,431,104					1,431,104
Technical Services	737,486	321,367	64,750			1,123,603
Electricity Service	12,305,084	1,265	863,641			13,169,990
Public Works	67,876					67,876
Parks and Gardens	590,113		45,312			635,425
Refuse Removal	3,275,342		88,400			3,363,742
Roads	42,464,851	18,016	15,700,964		(1,489,885)	56,693,946
Mechanical Workshop	3,714					3,714
Roads	119,737		1,041,490			1,161,227
Financial Services	604,703	11,971	28,672			645,346
Procurement	114,589	2,103	54,208	(30,410)		140,490
Community Services	26,509					26,509
Clinic	141,188	28,169	35,898			205,255
Library	504,932	55,540	2,537			563,009
Community Halls	27,757					27,757
Creches & Sewing Centres	10,465					10,465
Protection Services	1,370,780	198,302	118,620			1,687,702
Disaster/Fire	795,556	11,190				806,746
Law Enforcement	763					763
Estates	540					540
Housing Service	3,308,639					3,308,639
Afforestation	460,809		557,903			1,018,712
<b>TOTAL</b>	<b>104,332,301</b>	<b>750,054</b>	<b>22,312,760</b>	<b>(30,410)</b>	<b>(1,489,885)</b>	<b>125,874,820</b>
The effective date of revaluation of land was 1 July 2009 and Independent valuer Millsfitchet was appointed to do the valuation and the valuation was based in the determination of market related values						



# APPENDIX C

## UMUZIWABANTU MUNICIPALITY

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

#### FOR THE YEAR ENDED 30 JUNE 2011 (cont..)

	Accumulated Depreciation						
Closing Balance	Opening Balance	Current Year	Disposals	Write Downs	Impairments	Closing Balance	Carrying Value
	176,460	79,877			(4,362)	251,975	271,319
	17,814	4,494				22,308	10,412
	3,049,635	357,988			(116,645)	3,290,978	11,111,529
	387,736	184,306			52,933	624,975	24,195,607
	2,922	451			(1,570)	1,803	1,354
	408,906	166,551			(112,324)	463,133	967,971
	371,879	83,476			8,925	464,280	659,323
	3,476,637	351,613			(353,607)	3,474,643	9,695,347
	40,966	9,963			(3,431)	47,498	20,378
	310,542	88,637			(9,703)	389,476	245,949
	1,003,610	208,050			(411,747)	799,913	2,563,829
	4,955,162	1,437,153		(195,622)	(378,086)	5,818,607	50,875,339
	1,638	691				2,329	1,385
		1,272				1,272	1,159,955
	149,102	108,937			3,571	261,610	383,736
	57,008	20,530	(4,479)		7,256	80,315	60,175
	13,640	4,268			1,939	19,847	6,662
	73,733	21,177			7,047	101,957	103,298
	195,030	87,440			11,949	294,419	268,590
	8,323	2,773				11,096	16,661
	10,465	1,494			(6,605)	5,354	5,111
	642,837	143,078			(6,796)	779,119	908,583
	77,377	74,181			2,353	153,911	652,835
	436	109				545	218
	216	108				324	216
	2,435,374	110,212				2,545,586	763,053
	91,842	34,173				126,015	892,697
	<b>17,959,290</b>	<b>3,583,002</b>	<b>(4,479)</b>	<b>(195,622)</b>	<b>(1,308,903)</b>	<b>20,033,288</b>	<b>105,841,532</b>





# APPENDIX D

## UMUZIWABANTU MUNICIPALITY

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

#### FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Surplus / Deficit )	
R	R	R	
			<b>RATE AND GENERAL SERVICE</b>
			Executive and Council
4,423,716	6,843,762	(2,420,046)	Council
4,294,698	2,378,920	1,915,778	Municipal Manager
<b>8,718,414</b>	<b>9,222,682</b>	<b>(504,268)</b>	
			<b>Finance and Administration</b>
5,426,646	9,042,109	(3,615,463)	Budget and Treasury Office
7,567,694	761,976	6,805,718	Property Services
0	3,857,129	(3,857,129)	Corporate Services
0	342,633	(342,633)	Human Resources
1,150,676	687,485	463,190	Information Technology
<b>14,145,016</b>	<b>14,691,332</b>	<b>(546,316)</b>	
			<b>Health</b>
963,862	1,007,918	(44,056)	Clinic
			<b>Community &amp; Social Services</b>
551,536	575,924	(24,388)	Cemetery
900,207	617,729	282,478	Library
1,226,250	271,396	954,855	Community Halls & Facilities
<b>2,677,993</b>	<b>1,465,048</b>	<b>1,212,945</b>	
			<b>Planning and Development</b>
1,063,212	2,254,685	(1,191,473)	Technical Services
520,509	191,191	329,318	Tourism
<b>1,583,721</b>	<b>2,445,876</b>	<b>(862,155)</b>	
363,000	72,729	290,271	Disaster Management
			<b>Road Transport</b>
3,613,011	5,587,991	(1,974,980)	Roads
2,053,922	2,554,085	(500,163)	Vehicle Licensing & Testing
5,666,933	8,142,076	(2,475,143)	



# APPENDIX D

## UMUZIWABANTU MUNICIPALITY

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

#### FOR THE YEAR ENDED 30 JUNE 2011 (cont..)

	2011 Actual Income	2011 Actual Expenditure	2011 Surplus / ( Deficit )
	R	R	R
	5,488,966	7,729,266	(2,240,300)
	4,198,595	4,571,394	(372,800)
	<b>9,687,561</b>	<b>12,300,661</b>	<b>(2,613,100)</b>
	5,312,780	7,835,934	(2,523,154)
	9,190,774	557,874	8,632,900
	-	4,072,184	(4,072,184)
	-	592,731	(592,731)
	1,132,180	587,477	544,703
	<b>15,635,733</b>	<b>13,646,199</b>	<b>1,989,534</b>
	-	1,018,868	(1,018,868)
	598,911	938,757	(339,846)
	1,107,321	900,139	207,182
	1,361,365	513,710	847,654
	<b>3,067,597</b>	<b>2,352,606</b>	<b>714,991</b>
	1,008,452	1,621,505	(613,053)
	573,277	307,087	266,190
	<b>1,581,729</b>	<b>1,928,593</b>	<b>(346,864)</b>
	471,479	89,067	382,412
	5,339,559	6,129,404	(789,845)
	1,988,143	3,682,164	(1,694,021)
	7,327,701	9,811,568	(2,483,866)



# APPENDIX D

## UMUZIWABANTU MUNICIPALITY

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

### FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Surplus / Deficit )	
R	R	R	
			<b>Sport and Recreation</b>
650,076	973,691	(323,615)	Parks & Gardens
(1,139)	0	(1,139)	Sports Grounds & Stadiums
<b>648,937</b>	<b>973,691</b>	<b>(324,754)</b>	
11,362	1,206	10,156	Forestry, etc
0	36,220	(36,220)	Workshop
500,000	60,501	439,499	Housing
511,362	97,926	413,435	
<b>35,279,238</b>	<b>38,119,279</b>	<b>(2,840,041)</b>	<b>Total Rate and General Service</b>
			<b>TRADING SERVICE</b>
15,075,323	13,940,630	1,134,693	Electricity
			<b>WASTE MANAGEMENT</b>
3,531,209	2,722,343	808,866	Solid Waste
6,540,805	7,426,275	(885,470)	AFFORESTATION SCHEME
			<b>GRANTS</b>
111,260	111,260	0	Ugu Interest
456,015	456,015	0	Housing projects
21,029,768	3,078,318	17,951,450	Capital grants
<b>21,597,043</b>	<b>3,645,593</b>	<b>17,951,450</b>	
<b>82,023,618</b>	<b>65,854,120</b>	<b>16,169,498</b>	<b>TOTAL</b>



# APPENDIX D

## UMUZIWABANTU MUNICIPALITY

### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

#### FOR THE YEAR ENDED 30 JUNE 2011 (cont..)

	2011 Actual Income	2011 Actual Expenditure	2011 Surplus / ( Deficit )
	R	R	R
	801,052	2,150,322	(1,349,270)
	-	4,200	(4,200)
	<b>801,052</b>	<b>2,154,522</b>	<b>(1,353,470)</b>
			Other
	3,665	152,948	(149,283)
	-	44,410	(44,410)
	545,681	142,340	403,341
	549,346	339,698	209,648
	<b>39,122,199</b>	<b>43,641,781</b>	<b>(4,519,583)</b>
	16,160,756	17,377,254	(1,216,498)
	4,238,470	3,598,122	640,348
	9,267,024	7,372,818	1,894,206
	-	-	-
	1,096,965	1,096,965	-
	13,814,360	-	13,814,360
	<b>14,911,325</b>	<b>1,096,965</b>	<b>13,814,360</b>
	<b>83,699,773</b>	<b>73,086,940</b>	<b>10,612,833</b>





# APPENDIX E (1)

## UMUZIWABANTU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011)

	2011 Actual	2011 Budget
	R	R
<b>REVENUE</b>		
Property rates	8,552,172	8,649,872
Property rates-penalties and charges	541,924	110,000
Service charges	14,373,918	19,599,880
Rental on facilities and equipment	84,572	187,815
Interest earned-Afforestation Scheme	98,849	-
Interest earned-external investments	1,058,863	2,757,020
Fines	538,841	180,820
Licences and permits	1,905,131	2,111,886
Government grants and subsidies	32,476,894	28,117,150
Capital grants	13,814,360	-
Afforestation Scheme sales	8,506,247	7,465,656
Changes in value of plantation	534,981	1,322,033
Gains in value of Property, Plant and Equipment	750,054	-
Other Income	462,967	2,818,778
<b>Total Revenue</b>	<b>83,699,773</b>	<b>73,320,910</b>



## ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011 (cont..))

2011 Variance		Explanation of Significant Variances greater than 10%
R	%	
(97,700)	(1.1)	N/A
431,924	392.7	Increase due to non-recoveries of debt -
		greater than budgeted for
(5,225,962)	(26.7)	Incorrect budget
(103,243)	(55.0)	Incorrect budget
98,849	100.0	Incorrect budget
(1,698,157)	(61.6)	Incorrect budget
358,021	198.0	Incorrect budget
(206,755)	(9.8)	N/A
4,359,744	15.5	More grants received than budgeted for
13,814,360	100.0	Not budgeted for
1,040,591	13.9	More income than budgeted for
(787,052)	(59.5)	Over-budgeted
750,054	100.0	Not budgeted for
2,355,811)	(83.6)	Incorrect budget

# APPENDIX E (1)

## UMUZIWABANTU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011 (cont..))

	2011 Actual	2011 Budget
	R	R
<b>EXPENDITURE</b>		
Employee related costs	24,552,665	25,587,211
Remuneration of Councillors	4,183,238	4,720,026
Bad debts - contribution to provision	191,614	-
Depreciation	3,624,786	2,547,100
Repairs and maintenance	2,266,088	3,154,626
Interest paid	98,550	108,570
Changes in value of plantation	-	-
Bulk purchases -Electricity	12,546,230	13,379,837
Contracted services	1,016,047	2,639,220
Grant paid - Ugu Tourism	-	
General expenses	14,944,057	14,501,967
Afforestation Scheme cost of sales	4,786,146	5,151,045
Afforestation Scheme general expenses	2,552,262	1,531,915
Housing Projects expenditure	1,096,965	-
Write down of Property, Plant and Equipment	1,294,264	-
Loss on disposal of Investment Properties	1,217,000	-
Loss on disposal of Property, Plant and Equipment	25,931	-
Impairment loss	(1,308,903)	-
<b>Total Expenditure</b>		<b>73,086,940</b>
<b>SURPLUS FOR THE YEAR</b>		<b>10,612,833</b>



# APPENDIX E (1)

## UMUZIWABANTU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011 (cont..))

2011 Variance		Explanation of Significant Variances greater than 10%
R	%	
1,034,546	4.0	N/A
536,788	11.4	Over-budgeted
(191,614)	(100.0)	Not budgeted for
(1,077,686)	(42.3)	Incorrect budget
888,538	28.2	Incorrect budget
10,020	9.2	N/A
-	-	N/A
833,607	6.2	N/A
1,623,173	61.5	Incorrect budget
-	-	N/A
(442,090)	(3.0)	N/A
364,899	7.1	N/A
(1,020,347)	(66.6)	Incorrect budget
(1,096,965)	(100.0)	Not budgeted for
(1,294,264)	(100.0)	Not budgeted for
(1,217,000)	(100.0)	Not budgeted for
(25,931)	(100.0)	Not budgeted for
1,308,903	(100.0)	Not budgeted for
	<b>73,321,517</b>	
	<b>(607)</b>	





# APPENDIX E (2)

## UMUZIWABANTU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011)

	2011 Actual	2011 Budget	
	R	R	
<b>Land and Buildings</b>			
Building construction and upgrades	7,605,426	415,000	
Security fencing	7,605,426	400,000	
		815,000	
<b>Infrastructure</b>			
Rural roads upgrade	5,852,559	4,000,000	
MIG - Roads and bridges	5,333,660	12,578,000	
Small town rehabilitation		6,000,000	
Solid Waste			
Traffic lights	51,275	500,000	
Electricity	863,641	1,600,000	
Electrification (Eskom)		10,800,000	
Housing Projects	1,096,965	2,000,000	
	13,198,100	37,478,000	
<b>Community Assets</b>			
Town hall and Library	-	-	
Community Facilities : Furniture and equipment	-	-	
	-	-	
<b>Other Assets</b>			
Plant, machinery and equipment	617,430	3,170,000	
Office furniture and equipment	200,864	420,000	
Computers	133,037	395,000	
Afforestation Scheme	557,903	-	
	1,509,234	3,985,000	
<b>Total Assets</b>	<b>22,312,760</b>	<b>42,278,000</b>	
<b>Non Capital items</b>	<b>-</b>	<b>0</b>	
	<b>22,312,760</b>	<b>42,278,000</b>	



# APPENDIX E (2)

## UMUZIWABANTU MUNICIPALITY

### ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2011)

2011 Variance		Explanation of Significant Variances greater than 10%
R	%	
(7,190,426)	(1,733)	R3 300 813 relates to the Recreation Park - for which a grant was received
400,000	100	Not expended
(6,790,426)		
(1,852,559)	(46)	See Small Town Rehabilitation
7,244,340	58	Over-budgeted
6,000,000	100	Actual expenditure included in Roads
0	#DIV/0!	
448,725	90	Over-budgeted
736,359	46	Over-budgeted
10,800,000	100	Not expended due to delays
903,035	45	Grants were not forthcoming
24,279,900		
0	(100)	Under-budgeted
-	-	
-		
2,552,570	81	Grader not purchased
219,136	52	Over-budgeted
261,963	66	Over-budgeted
(557,903)	(100)	Not budgeted
2,475,766		
<b>19,965,240</b>		
<b>0</b>		
<b>19,965,240</b>		



# APPENDIX F

## UMUZIWABANTU MUNICIPALITY

### DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MPFM, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011

NAME OF GRANTS	UNSPENT BEGINNING OF YEAR		
		JULY TO SEPT 2010	
		1	
Eskom	-		
Umsobomvu UGU	-	125,000	
CBD M/Plan & T/P Scheme	167,262		
Donsibhodwe Agric Project	10,000		
Library Internet Project	35,461		
Violence damage control a/c	956,683		
Tourism development plan	66,686		
Strategic Environment Assessment	618,000		
Grant for Honey Production	44,966		
Small town Rehabilitation	10,527,004	3,500,000	
Library	-		
Lums	73,000		
Kwa Fodo Housing	-		
Kwa Mbhoto	-		
LED Support	75,000		
Gijima (EU)	115,633		
REDS	150,000		
Government Expectations	-		
LG Seta	-		
Nonsuthu Poultry Project	5,984		
Arts and Culture	-		
Ward Committees	-		
	<b>12,845,679</b>	<b>3,625,000</b>	
MSIG	-	750,000	
M I G	-	2,552,000	
FMG	-	1,200,000	
	-	<b>4,502,000</b>	
	<b>12,845,679</b>	<b>8,127,000</b>	



# APPENDIX F

## UMUZIWABANTU MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MPFM, 56 OF 2003  
FOR THE YEAR ENDED 30 JUNE 2011

RECEIVED				
	OCT TO DEC 2010	JAN TO MAR 2011	APRIL TO JUNE 2011	SUB TOTAL
	2	3	4	
		10,800,000		10,800,000
				125,000
				167,262
				10,000
				35,461
				956,683
				66,686
				618,000
				44,966
				14,027,004
	96,000			96,000
				73,000
	63,000	121,765		184,765
		912,200		912,200
				75,000
				115,633
				150,000
	676,224			676,224
	41,462		15,255	56,717
				5,984
			100,800	100,800
			18,000	18,000
	<b>876,686</b>	<b>11,833,965</b>	<b>134,055</b>	<b>29,315,385</b>
				750,000
	2,433,000	6,330,000	784,882	12,099,882
				1,200,000
	<b>2,433,000</b>	<b>6,330,000</b>	<b>784,882</b>	<b>14,049,882</b>
	<b>3,309,686</b>	<b>18,163,965</b>	<b>918,937</b>	<b>43,365,267</b>





# APPENDIX F

## UMUZIWABANTU MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MPFM, 56 OF 2003  
FOR THE YEAR ENDED 30 JUNE 2011

EXPENDITURE			
JULY TO SEPT 2010	OCT TO DEC 2010	JAN TO MAR 2011	APRIL TO JUNE 2011
1	2	3	4
52,103		52,103	20,794
		248,211	
257,313	3,195,327	1,108,118	2,728,746
27,584	27,584	27,584	13,248
		184,765	
		912,200	
866	17,134		
<b>337,866</b>	<b>3,292,148</b>	<b>2,501,672</b>	<b>2,741,994</b>
		375,920	72,823
253,098	1,734,382	942,625	1,489,036
632,417	224,700	143,501	199,348
<b>885,515</b>	<b>1,959,082</b>	<b>1,462,046</b>	<b>1,761,207</b>
<b>1,223,381</b>	<b>5,251,230</b>	<b>3,963,718</b>	<b>4,503,201</b>



# APPENDIX F

## UMUZIWABANTU MUNICIPALITY

### DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MPFM, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011

		UNSPENT AT END OF THE YEAR	GRANTS & SUBSIDIES DELAYED	REASON FOR DELAY	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF FRAMEWORK IN THE LATEST DORA	REASON FOR NON- COMPLI- ANCE
	TOTAL EXPENDITURE 2011					
	-	10,800,000	NO	N/A	YES	N/A
		125,000	NO	N/A	YES	N/A
	-	167,262	NO	N/A	YES	N/A
	-	10,000	NO	N/A	YES	N/A
	-	35,461	NO	N/A	YES	N/A
	-	956,683	NO	N/A	YES	N/A
	-	66,686	NO	N/A	YES	N/A
	248,211	369,789	NO	N/A	YES	N/A
	-	44,966	NO	N/A	YES	N/A
	7,289,504	6,737,500	NO	N/A	YES	N/A
	96,000	-	NO	N/A	YES	N/A
	-	73,000	NO	N/A	YES	N/A
	184,765	-	NO	N/A	YES	N/A
	912,200	-	NO	N/A	YES	N/A
	-	75,000	NO	N/A	YES	N/A
	-	115,633	NO	N/A	YES	N/A
	-	150,000	NO	N/A	YES	N/A
	-	676,224	NO	N/A	YES	N/A
	-	56,717	NO	N/A	YES	N/A
	-	5,984	NO	N/A	YES	N/A
	-	100,800				
	18,000	-	NO	N/A	YES	N/A
	8,873,680	20,441,705				
	448,743	301,257	NO	N/A	YES	N/A
	4,419,141	7,680,741	NO	N/A	YES	N/A
	1,199,966	34	NO	N/A	YES	N/A
	6,067,850	7,982,032				
	14,941,530	28,423,737				



## 4.2 Audit Report

### Auditor's Report Of The Auditor-General To The KwaZulu-Natal Provincial Legislature And The Council On Umuziwabantu Municipality Report On The Financial Statements

#### Introduction

1. I have audited the accompanying financial statements of the uMuziwabantu Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 115.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice No. 1111 of 2010 issued in Government Gazette No. 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 municipality'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 municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



### **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMuziwabantu Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

### **Emphasis of matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:  
Restatement of corresponding figures

8. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an errors discovered during 2010-11 financial year in the financial statements of the uMuziwabantu Municipality at, and for the year ended, 30 June 2010.

### **Irregular expenditure**

9. As disclosed in note 41 to the financial statements, irregular expenditure to the amount of R1, 091 million were incurred as a result of proper procurement process not followed.

### **Unauthorized expenditure**

10. As disclosed in note 39 to the financial statements, unauthorized expenditure to the amount of R3, 965 million were incurred as a result of overspending on bad debts, depreciation, general expenditure, afforestation scheme general expenses, loss on disposal of property plant and equipment.

### **Material losses**

11. As disclosed in note 26 to the financial statements, material distribution losses amounting to R4, 642 million for electricity were incurred, as a result of electricity distribution losses.

### **Other matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Material inconsistencies in other information included in the annual report**

12. I have not obtained the other information included in the annual report for my review and as such have not been able to identify any material inconsistencies with the financial statements.

### **Unaudited supplementary schedules**

13. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.





## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of General Notice No. 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages 120 - 125 and material non-compliance with laws and regulations applicable to the municipality.

### Predetermined objectives

#### Presentation of information

14. The following criterion is relevant to the finding below:

- Performance against predetermined objectives is reported using the National Treasury guidelines.

15. The following audit finding relates to the above criterion:

#### Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives

16. Adequate explanations for major variances between the planned and the actual reported targets for all selected objectives were not provided, contrary to the relevant reporting guidance.

#### Usefulness of information

17. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents

18. The following audit findings relates to the above criteria:

Reported objectives, indicators & targets are not consistent when compared with the planned objectives, indicators & targets

19. Reported performance against predetermined objectives, indicators & targets is not consistent with the approved integrated development plan.

20. The actual achievements with regard to planned objectives, indicators & targets specified in the integrated development plan for the year under review were not included in the report on predetermined objectives submitted for audit purposes.

### Compliance with laws and regulations

#### Annual financial statements

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.



#### **Procurement and contract management**

22. Awards were made to providers who are persons in service of other state institutions, in contravention of the requirements of SCM regulations 44.
23. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).

#### **Expenditure management**

24. The accounting officer did not take reasonable steps to detect and prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

#### **INTERNAL CONTROL**

25. In terms of General notice 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

26. Personnel involved in the compilation of the predetermined objectives and reporting do not have a full, clear understanding of the performance reporting framework and guidelines.

#### **Financial and performance management**

27. The accounting officer has not developed processes to ensure that all requirements of laws and regulations are complied with timely.
28. The chief financial officer did not adequately review the financial statements before submission for audit.

#### **INVESTIGATIONS**

29. Investigations completed during the financial year

An investigation regarding the EFT payments made without proper authorization was concluded during the year. A former municipal employee was found guilty by the court of law.

Pietermaritzburg  
30 November 2011



## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Cash and Cash equivalents						
1.	Investment- non compliance with investment policies			Compliance with investment policy will be monitored and reconciliations done monthly. The supporting documentation such as investment certificates, confirmation of capital invested, investment transfer form, and quotes will be kept in a safe place. Implementation of a checklist for investment policy compliance monitoring.	Manager: Accounts & Equities	Ongoing
Compliance						
2	Information to be placed on the websites of municipalities			Compliance checklist will be implemented.	CFO	31-Jan-12
3	Provincial Treasury Circular TC/RM 9 of 2010/11			Compliance checklist will be implemented.	CFO	31-Jan-12
Employee costs						
4	Employee cost (overtime)-em- ployees paid more than 30% of their monthly salary			Monthly monitoring of overtime budget is reported and compli- ance with BCEA is adhered to in terms of the no of overtime hours worked per week and month by employees	All HOD's	Ongoing
Inventory						
5	Inventory write off of not approved			Compliance checklist will be implemented.	CFO	31-Jan-12

## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Movable assets						
6	Insurance claims			Procedures for reporting and time frames will be developed and staff notified of the reporting processes.	Manager: Income	31-Jan-12
7	Old Assets still on asset register			Quarterly asset identification will be conducted and all obsolete or damaged assets will be identified for disposal	CFO	Ongoing
8	Asset register and GL reconciliation not performed			Monthly identification of new asset additions will be conducted and the GL and Assets register reconciled.	CFO	Ongoing
9	Expenditure-SLA/ Contract or supporting documents not provided			Contracts register to be implemented and master files of contracts to be kept by registry.	MCS	Ongoing
10	Prohibited awards resulting into irregular expenditure			Block list has been created from the CAATS exercise conducted by the AG. Awaiting response from Provincial Treasury on the database to be created which will enable Municipalities to verify if members of companies are in the service of the state.	Manager: Expenditure	31-Dec-11
11	Non compliance with procurement process and contract management			All procurements shall have 3 quotes except for those subject to the petty cash procurement process, If less than 3 quotes cannot be obtained a deviation form with the regulation 36 conditions has been introduced.	CFO/ ALL HOD's	Ongoing





## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Movable assets						
12	Expenditure - Expenditure outside the approved delegation of authority limits			The delegations register has been compiled and the processes will be aligned to the delegations as per register.	MM	31-Jan-12
13	Expenditure: Excess of financial delegation authority limits			The delegations register has been compiled and the processes will be aligned to the delegations as per register.	MM	31-Jan-12
14	Declarations of interest			Annual declarations will be done and a compliance checklist compiled	MM	30-Jun-12
15	Disclosure of interests by councillors			Annual declarations will be done and a compliance checklist compiled	MM	30-Jun-12
16	Computer audit exceptions			the prohibited service providers will be blocked on the system however we will await the state employees database to be compiled by Provincial Treasury and COGTA for which municipalities will have access to confirm status of bidders.	CFO	subject to database availability
17	Tenders and tender results not advertised on the municipal website			monthly update and compliance checklist to be compiled	CFO	Ongoing
18	Expenditure - Projects not registered with Construction Industry Development Board (CIDB)			monthly update and compliance checklist to be compiled	PMU	Ongoing

## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Movable assets						
19	Contract Register not adequately maintained			A register has been initiated and related payments cross referenced to the contracts. All master copies of contracts will be kept at records with copies kept at finance for payment purposes.	MCS	In place
20	Expenditure: Invoices not paid within 30 days of receipt of invoice			A received stamp will be used to stamp all payments on receipt. On transmission to Finance the invoices will be recorded in a register of invoices and distributed to the respective Departments for certification before they are paid. A turnaround time for return will be communicated to all departments.	MCS/CFO	immediate
21	Expenditure - Non compliance with Procurement process			All procurements shall have 3 quotes except for those subject to the petty cash procurement process, If less than 3 quotes cannot be obtained a deviation form with the regulation 36 conditions has been introduced. All contract related payments are cross referenced to the contract as per the contracts register.	CFO	Ongoing
Receivables						
22	Receivables - Insufficient control over Receivables			Monthly checking of debtors ageing to Disconnection and hand-over lists to ensure collections/ disconnections are done.	Manager-Income	Ongoing



## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Revenue						
23	Revenue - Higher tariff rate used			This was due to NERSA approving tariffs different to Council's proposed and advertised tariffs. Tariffs are changed annually therefore and adverts have been amended to incorporate NERSA's approval to avoid ambiguity	CFO	monthly
24	Fines - revenue (completeness)			Negotiate with the Dept. of Justice on a standard procedure for reporting fines which have been paid	Manager: Income	28-Feb-12
25	Revenue- Distribution losses			Technical Services to monitor electricity losses and develop a mitigating plan of action to minimise the loss to an acceptable level.	MTS	16-Feb-12
26	Unspent Grants and Subsidies			Grants register will be maintained and reserves to repay the unspent grants will be planned. Progressive monthly Cash flow statements will be prepared so as to plan the cash resources requirements.	CFO	31-Jan-12
Unauthorised Expenditure						
27	Unauthorised Expenditure			Non cash items on budget made up the unauthorised expenditure and as such the budgeting process will take into account the information such as assets register and proposed additions in the budget year to calculate the projected budget expenditure, Bad debts provision to be estimated accurately looking at the payment trends and debt collection policy. Mapping of the financial statements and budget will be made part of the working paper file so that correct matching of figures can be made.	CFO	30-Jun-12



## 4.3 Municipal Corrective Actions

### Departmental Reports : Office Of The Municipal Manager

No.	Finding	Page No	Classification	Corrective Action		
				Description of Management Action	Responsible person	Targeted Completion Date
Predetermined objectives						
28	AOPI - Reported information not consistent with planned objectives, indicators and targets			To ensure that all reporting personnel fully understand the reporting criteria and what should be reported on. To develop a template with specific examples to assist all users	Manager Strategic Planning	31-Dec-11
29	AOPI - Reasons for major variances between planned and actual reported targets			To conduct training sessions for all managers or users reporting on actual against planned targets to enhance understanding and method of reporting.	Manager Strategic Planning	31-May-12
30	AOPI - Incomplete reporting on all predetermined objectives			A monthly monitoring system will be developed to monitor all pre-determined objectives are being reported on.	Manager Strategic Planning	31-Dec-12
31	AOPI - Inadequate content of the Integrated Development Plan			The alignment of IDP, budget, and SDBIP is critical to foster sound reporting. All set objectives, indicators will be included in all relevant strategic documents to ensure proper alignment and reporting	Manager Strategic Planning	31-Jul-12
32	MM Performance contract not approved			All performance contracts will be monitored to ensure all are signed on time and approved.	Manager Strategic Planning	31-Jul-12
Legend						
	Misstatement in financial statements					
	Misstatement in annual performance report					
	Non-compliance with laws & regulations					
	Internal Control deficiency					





## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Strategic Planning

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>STRATEGIC PLANNING OFFICE</b>				
Institutional Development and Transformation	Set up Internal Strategic Consultation processes(MANCO meeting)	Number of meetings convened successfully	12 Management Committee Meetings co-ordinated. The meeting resolved on matters and coordinated the implementation of resolutions	Attendance registers and minutes
	Develop final draft IDP document to be presented council for consideration in May 2011	Date of approval of the final Draft IDP	Draft IDP document developed and Approved in May 2011 and submitted to COGTA	Minutes and resolution of council meeting
	Development of Draft SDBIP that has clear set target for departments	Date adoption of SDBIP	SDBIP developed and tabled to EXCO in June	minutes of the meeting
Good Governance And Community Participation	Engage with national and Provincial Sector Departments on sector plans for the alignment with IDP	Number of consultative meetings convened with sector departments	12 IDP representatives Forum meetings have been convened.	Attendance registers and minutes
	Sharing of best practices among planners within UGU family of municipalities	Number of planners forum meetings attended	8 meetings were attended which have assisted with capacity building among members and sharing of ideas	Minutes of meetings

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Strategic Planning

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>STRATEGIC PLANNING OFFICE</b>				
	IDP Review and public consultation. Public participation meetings, consultation of communities regarding the budget and IDP processes.	Number of consultative meetings convened IDP/ Budget Road shows	18 meetings were convened successfully, communities made inputs towards the IDP and Budget priorities	Minutes of road shows
	Submission of the Draft Annual Report to National and Provincial Treasury	The Draft Annual report was submitted to Provincial Treasury on the 15 September 2010	The Draft Annual report was submitted to Provincial Treasury on the 15 September 2010	Letter of submission from treasury
	Development of municipal Annual Report	First Draft Annual Report 2009/2010 should be table to council by the January 2011	First Draft Annual report tabled to council in January 2011	Council minutes and resolution
	Development of municipal Annual Report	Final Draft Annual Report 2009/2010 should be table to council by the January 2011	Final Draft Annual Report tabled to council on the 31st March 2011	Council minutes and resolution
	Ensure annual report is interrogated by council and published in the public media	Date of the Publication of the report in the public media	Development of a consolidated annual oversight report conducted and published in March 2011	Media publication
	Submission of the Municipal Performance Information to Provincial Treasury	Submission date 31 August 2010	The Annual Performance information was submitted on the 31st August 2010	Confirmation letter of submission from treasury



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Strategic Planning

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>STRATEGIC PLANNING OFFICE</b>				
Good Governance And Community Participation	Time schedule of key deadlines for the IDP/Budget process Plan 2010/2011	Develop a Process Plan and tabled to the IDP Forum in August 2010 and presented in EXCO for adoption	The Process Plan was adopted by EXCO in September 2010 with comments from office the MEC for Cooperative Governance	IDP Forum and EXCO minutes and attendance register
	Evaluation and assessment of the Municipal Performance	Number of reviews conducted looking at performance and compliance with legislative requirements	2 Quarterly reviews have been held. The third and fourth quarter will be conducted on the 05 September 2011	Quarterly reviews reports and minutes of the meetings
	Mid Year performance assessment report	Date of approval of the report	19TH January 2011 the report was tabled	Mid Year performance assessment report
	Development of a Strategic Environmental Assessment for the municipality	Production of Strategic Environment assessment plan for the municipality, Establishment of a project steering committee	Service provider was appointed in 2009, production of the 1st draft SEA Document presented to steering committee. The final draft received by the committee for approval	Copy of the 1st and final draft document available
	Develop Mid year performance assessment report	Table Mid year performance assessment report to the Executive Council in January 2011	Mid year performance report submitted within schedule	Minutes of the executive committee

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Strategic Planning / Special Programme

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>STRATEGIC PLANNING OFFICE</b>				
Good Governance And Community Participation	Set up internal Strategic Consultation processes within Departments	Number of departmental meetings convened	15 departmental meetings convened to review performance.	Departmental meeting minutes Copy of the 1st
	Spatial Development Framework and Land Use Management Review/System	Development of Land Use Management System and Spatial Development Frame for Umuziwabantu	A Service provider was appointed by the district for the development of SDF and LUMS of all municipalities within the district. Presentations to councils have been conducted. Service provider to provide the final draft to council for approval and adoption.	Draft document available
<b>SPECIAL PROGRAMME OFFICE</b>				
Institutional Development and Transformation	Set up structures to deal with HIV and AIDS epidemic at municipal level	Date of launch of the structure	Umuziwabantu Local AIDS Council was launched 31 August 2010	Attendance register and report council
Good Governance And Community Participation	Create awareness and commemorate WORLD AIDS DAY	Consultation meeting of all stakeholders in the approach to implement to deal with the infection rate within the district.	The Stakeholder engagement meeting event was hosting by Umuziwabantu for the entire District	Report to community service portfolio committee meeting
	Election of a District Gender Forum	Date of election the district structure	Umuziwabantu gender forum participated one member elected into the structure, the elections were conducted on the 22nd October 2010	Attendance register



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Youth Development

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>YOUTH DEVELOPMENT OFFICE</b>				
Good Governance And Community Participation	Financial support to young people residing within the municipality to study at tertiary institutions across the country	Number of young people assisted by the municipality	22 young people benefited from the programme with registration fees to institutions of their choice in the 3rd quarter and 19 in the fourth quarter	Applications approved by council and minutes of EXCO meeting
	Continuous provision of information and support of young people of Umuziwabantu in general	Number of young people assisted through references	Number of young people assisted	Attendance registers in the youth centre Walk-ins of young people into the youth centre
	To ensure Institutionalization and mainstreaming of Youth Development in the municipality	Number of Youth Council meetings held looking at Youth development programs	5 meetings were successfully held	Attendance register and minutes of meetings
	Ensure continuous engagement of young people in sports activities (winter games). Promotion of healthy living	Number of young people that participated in the sports games	On the 8th August 2010. Umuziwabantu participated in the district games and on the 11st – 14 December 2010 Umuziwabantu participated in the Provincial games.	Reports and minutes to portfolio committees

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Youth Development

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>YOUTH DEVELOPMENT OFFICE</b>				
Good Governance And Community Participation	exposure of Youth people to deferent career pants through Career Exhibition	Date of the Exhibition hosted	The activity was achieved as planned on the 02nd February 2011 and all high schools within Umuziwabantu Jurisdiction participated.	Attendance register
	Create a platform for young people to review performance of the youth office and review programmes through youth summit	Date of the Youth summit	On the 20th August 2010 the youth summit was successfully hosted by the Youth Development of Office	Summit resolutions and attendance registers.
	To engage young people in program which deal with moral decay among young people of Umuziwabantu Inkonzobabantuabasha. Moral regeneration program Enhancement of public participation in the maintenance of public facilities	Hosting of a Moral regeneration program, date of the program	The program was hosted by the youth development office on the 27th of November 2010. At the Harding sports complex. local artists from all respective wards were part of the entertainment alongside Thobekile Mkhwanazi and Sbu Buthelezi of Ukhosi fm.	Report to portfolio committees and minutes of meeting
	Hosting of Sports Indaba	Maintenance or painting of community Halls and schools Programme not implemented due to lack of funds	The program was not implemented due to lack of funds	



## chapter 5

# ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Youth Development / Local Economic Development

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>YOUTH DEVELOPMENT OFFICE</b>				
Good Governance And Community Participation	Hosting of Sports Indaba	Programme not implemented due t lack of funds		
<b>LOCAL ECONOMIC DEVELOPMENT OFFICE</b>				
Social and Local Economic Development	Capacity building programme for SMME's within the Umuziwabantu.	Training and provision of information on how to run businesses and source funding. Number of participants	Nine wards were visited with the view to build capacity to SMMEs 25 registered companies attended and 20 aspirant business individuals	Attendance Registers and report to Portfolio committee and EXCO
	Ensure co-operatives and Development and support Programme.	Number of coops supported/assisted (fencing, Irrigation system, and supply of sawing machines and poultry implements)	Seven cooperatives were supported financially(fencing, Irrigation system, and supply of sawing machines and poultry implements)	Application letters and minutes of council approving applications
	Provision of support to communities and schools through the Food Security Program (Flemish Programme)	Number of communities and schools benefiting from the initiative	25 community projects assisted 15 schools projects assisted	Report portfolio committee and quarterly reports
	Food Security Programme (Flemish Programme)	The Item was tabled at the portfolio committee in November 2010. The report is attached in the LED Report	The report shared light on key projects implemented within the municipality: • Training of agricultural projects members • Fencing of agricultural projects. • Poultry infrastructure Is still on going	Site visit by ward councillors



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Corporate Services

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: CORPORATE SERVICES</b>				
Institutional Transformation and development	Compilation of Agenda's & Minutes	No. of Agendas and minutes	28 Meetings convened for the year under review.	Minutes and Agenda's Letters and memo's
	Enquiries and complaints	Number of enquiries attended Completed by December 2010	All inquiries are attended to on monthly bases Completed by December 2010	Report to portfolio committee and service provider report
	Implementing a new website and an Intranet for the municipality	Planning, Designing, Implementing and Hosting of new municipal website and Intranet. Date of implementation	The implementation was initiated in March 2011	council minutes
	Development of Draft Budget 2011/2012 for corporate services	Date of submission to council	Draft budget submitted to council in March 2011	SDBIP Document
	Development Draft SDBIP for the department setting realistic targets	Date of submission of SDBIP to the office of the municipal manager	Draft submitted to MM in May 2011	Report to internal audit committee. Circulars from KwaNALOGA
	Address issues raised by AG on 2009/2010 report. Corrective actions taken to remedy the situation	Date set to address or respond to matters raised in the report. Corrective actions taken to remedy the situation	Administrative queries addressed. Strategic queries like filling of vacancies awaiting finalization of Job Evaluation. Report submitted in March 2011	





## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Corporate Services

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: CORPORATE SERVICES</b>				
	Establish effective and efficient centralized data system control	Installation of Server Implementing date (a server solution)	The server was purchased and installed in June 2011	Purchase order number issued to SITA. Expenditure – R185162.63
	Improve departmental functionality	No of meetings convened Departmental meetings	Partially achieved 3 meetings convened	Purchase order number issued to SITA Expenditure – R185162.63
Institutional Transformation and development	Establishment of the Employment Equity plan	Developed by December 2011	Not achieved awaiting service provider(Local Government Expert) to commence duties	Minutes and Agenda's Bid Committee 'Minutes
	Maintenance of the Lease Register	Monthly Reports	Not yet achieved 1 comprehensive report was submitted to Council	Reports to council
	Development of the Communication Strategy	Implementation date.	Not achieved was only Approved by Council in November 2010. Lack of human capital to perform the function	Bid Committees' minutes and council minutes
	Review of the Organogram	Date of implementation	Not achieved Tabled at council in December 2010 and it was recommended that it be taken back to local labour forum	Minutes of LLF

## chapter 5

# ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Corporate Services

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: CORPORATE SERVICES</b>				
	Implementation of in-service/Internship programme	Number of appointed interns	3 people were appointed as interns by September 2010	Training contracts in place.
	Development of the HR Policies	Date to finalize policies and presented to council. Completion of all outstanding Policies	3 policies were submitted to the relevant portfolio committee or council in February 2011	Minutes of Council
	Provision of primary health care to all communities within the municipality	No of patients received and treated and quality of service	24000 patients were received and treated in the municipal clinic	Clinic operating under the DOH
	Ensure improved education system and culture of learning and provision of Library service	Number of patrons visiting the library and services offered	169039 visited the library in the year under review	Library services report tabled at community services portfolio committee



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Infrastructure Development And Basic Service Delivery	Construction of Low Income Houses at KwaFodo Ward 1 DOHS Funding	Construction of 1000 houses and Toilets as per approval by Dept. of Human Settlement	64 % achieved and completed. 641 houses constructed, the year under review no construction has taken place. IA awaiting top up funds from Human Settlement.	Progress report to council and housing forum. IA Report
	Construction of Low Income Houses at Ilibonda/KwaMachi Ward 4,5,6,7 and 8 DOHS Funding	Construction of 1000 houses and Toilets as per approval by Dept. of Human Settlement	97% achieved or 991 houses constructed. No construction implemented in the year under review. Contractor is waiting for funds from their insurance.	Progress report to council and housing forum. IA Report
	Construction of Low Income Houses at KwaMaZakhele Phase 3 Ward 3 DOHS Funding	Construction of 1071 houses and toilets as per approval by Dept. of Human Settlement	The project is on planning stage (Tranche 1) The DOHS to approve funds for tranche 2. No work conducted in the year under review	Progress report to council and housing forum. IA Report
	Construction of Low Income Houses at KwaJali Ward 7 and 9 DOHS Funding	Construction of 890 houses and Toilets as per approval by Dept. of Human Settlement	111 slabs have been completed. 16 houses constructed 1.Overall construction is progressing well.	Progress report to council and housing forum. IA Report
	Construction of Low Income Houses at KwaMbotho Ward 2 DOHS Funding	Construction of 1000 houses and Toilets as per approval by Dept. of Human Settlement	The project is on planning stage (Tranche 1) awaiting signing of agreements by the MEC	Progress report to council and housing forum. IA Report

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Infrastructure Development And Basic Service Delivery	Construction of Low Income Houses at Bashaweni Ward 2DOHS Funding	Construction of 1000 houses and Toilets as per approval by Dept. of Human Settlement	80 % achieved and completed on tranche 1 (Planning). Overall construction progress is now 0 %. The project is on planning stage (Tranche 1)	Progress report to council and housing forum. IA Report
	Construction of Low Income Houses at KwaDumisa Ward 1DOHS Funding	Construction of 500 houses and Toilets as per approval by Dept. of Human Settlement	100% achieved and 353 houses completed. Overall construction progress is now 100 %. No construction in 2010/2011	Close out report
	Political Violence damaged Houses Ward 4 and 7DOHS Funding	Construction of 16 houses as per current beneficiary list	No construction in the year under review. The project has been awarded to IA for implementation.	Progress report to council and housing forum. IA Report
	Waste Disposal Site Ward 3 Internal Funding	New Guard House, Boom Gate, Sliding Gate and Fencing	100% achieved and completed. Overall construction progress is now 100%.	Progress report to council.
	Fencing to Dump Site and Air Port Ward 3 Internal Funding	Repair to existing fencing	Not achieved and the project is on tender stage	Progress report to council.
	Electrification of community halls Ward 3 Internal Funding	Repair, and fitting of new electrical fittings and connection of power supply to community halls	100% achieved and completed. Awaiting Eskom to install power	Progress report to planning committee and council.





## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Infrastructure Development And Basic Service Delivery	Continuous inspections to new Housing developments Ward 3 (Bank Funding)	Number of inspections conducted	16 Houses were inspected and provided with building approvals Financed by the Different Banks and built by different Town Developers	Progress report to planning committee and council. Inspection reports
	Rehabilitation of Murchison Street for small town rehabilitation in Harding.	Construction of sub base, lying of storm water channel and kerbs, new tar surface including wearing course.	Overall construction is now 85 % Contractor is behind his programme due to late site establishment. The late start has attributed to the contractor having insufficient resources and trouble with providing insurance and surety. The new completion date is the end of August 2011.	Planning, LED Minutes, June 2011, Infrastructure and Planning Report
	Rehabilitation of Hawkins Street for Small Town rehabilitation in Harding.	Construction of storm water pipes and installation of four way stop robots.	After long period of awaiting DOT approved design and drawings of storm water drainage on the 13 June 2011 and contractor is busy with the site de-establishing and excavating for underground services. Overall construction is 10%	Planning, LED Minutes, July 2011.08.05 Consultant progress report end of June 2011.

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Infrastructure Development And Basic Service Delivery	Community Park	Installation of recreational and public amenities i.e. Phase one included Ticket booth, Care-taker's Accommodation, Lighting Ablution Blocks, Open Braai Areas, Paved Walkways, Access Roads Parking Areas	100% completed. Quality of work is up to standard and in the retention period. Landscape is completed and maintenance period Ended.	Planning, LED Minutes, Consultant progress report end of June 2011. Final completion certificate and close up report have been submitted to COGTA
	Construction of Access Road Nhlabe to Kwangubelanga A2420 in Ward 8	The project involves the upgrade of 4.38 km of access road with associated storm water control and low-level river crossing with bollards	Contractor started on 15 March 2011 and duration of the project to be 5 months which will end in September 2011. Contractor is on site Current progress of work is 10%	Planning, LED Minutes, July 2011.08.05 Consultant progress report end of June 2011.
	Emavatheni access road Ward	Road bed & shoulders, clearing & grubbing, Tipping	85%, Tipping is of material is in process	Consultant progress report end of June 2011.
	Construction of Gravelling D 926 Roads in Ward 1	Contract awarded on the 24/04/2011 and handover of the site conducted on the 05/05/2011. Contract consists of gravelling existing road 3.1 km and includes wearing course.	90% completed and there is a section of the road that needs to be redone and tested.	Planning, LED Minutes, Planning, LED Minutes, Consultant progress report end of June 2011.



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Infrastructure Development And Basic Service Delivery	Construction of Phophoni access road Ward 5	Wearing course and finishing	100%, the project is near practical completion stage	Planning, LED Minutes, July 2011 Consultant progress report end of June 2011.
	Mangashuza Construction of a gravel access road in Ward 6	Relocation of services, Processing of in situ sub grades, and wearing course, construction of storm water drainage and provision of posted road signage.	Project is almost 100% completed	Planning, LED Minutes, July 2011 Consultant progress report end of June 2011.
	Machobeni access road Ward	Site establishment, material & plant on site. Clearing and grubbing, preparation of roadbed, tipping	95%, The borrow pit identified was exhausted and another source has been identified	Consultant progress report end of June 2011.
	Mabhungwini – 2.5 km. Construction of new gravel Access Road: Ward 2	Wearing Coarse completed with storm water drainage.	Overall progress of work is 90%	Consultant progress report end of June 2011.
	Registration of Dumpsite	EIA report finalise etc which part of the scope of work.	Not achieved to appoint consultant for the implementation	

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Social development and safety	Conduct Road Safety Projects	Number of projects conducted	12 Road safety campaigns conducted successfully	By monthly progress reports to portfolio committee
	Erection of Road Signs	Number of signs erected	38 signs erected achieved	By monthly progress reports
	Road Markings No of km	Total number of km's to be marked	44 km's of lines (marked)	By monthly progress reports
	Crime Consultation Meetings	Number of meetings	16 meetings conducted with deferent stakeholders to deal with crime in community participatory approach	By monthly progress reports
	Summons/Traffic fines/	Number of summons issued	1800 summons issued	By monthly progress reports
	Examination of vehicles	No of vehicles examined	338 vehicles were examined in 2010/2011	By monthly progress reports
	Motor Registrations & Licensing Units of one hundred	130 annual target	7078 motor registration and licensing have been conducted.	By monthly progress reports
	Driving Licenses Bookings	Number of bookings for the year	5246 driving bookings recorded For 2010/2011 financial year	By monthly progress reports
	Learners Licenses Bookings	Number of bookings	7848 learners licenses bookings recorded	By monthly progress reports
	Conduct Fire compliance inspections to Businesses premises	Number fire inspections conducted for the year	56 fire inspections conducted for the year under review	By monthly progress reports



## chapter 5

# ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Technical Service

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: TECHNICAL SERVICES</b>				
Social development and safety	Conduct Rural Fire Prevention campaigns	Number of campaigns conducted	15 rural fire prevention campaigns conducted 100% achieved against annual target	By monthly progress reports
	Provision cemetery graves	Number graves provided per year	98 graves	By monthly progress reports
	Grass cutting programme	Number of hectares maintained	3000 hectares	By monthly progress reports
	Creation of temporary jobs	Number job opportunities created	120 temporary jobs were created	By monthly progress reports



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Finance

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: FINANCE</b>				
Financial management and viability	Report on implementation of budget	Submit monthly, quarterly, half yearly and annual report to Council, Treasury	All monthly, quarterly and annual financial reports have been tabled at Council	Council Minutes
	Annual Financial Statement	Submit to the AG by the 31 of August 2010	2010/2011 AFS submitted to AG by the 31 August 2009	Receipt Letter from the AG
	Time schedule of key deadlines for budget and IDP process for 2010/2011	Tabled in August 2010	Both the budget and IDP process plans were tabled and adopted during the first quarter.	Council Minutes EXCO and Council Minutes
	Review of Finance related policies	Table policies for adoption purposes	On the 11 May 2011 finance related policies were tabled to EXCO and council dept and credit control policies, Rates and Tariff	EXCO and Council Minutes
	Adjustments budget 2010/2011 budget	Tabled the adjustment budget in January 2010	On the 25th January 2011 the adjustment was tabled to council.	EXCO and Council Minutes
	Draft Budget for 2011/2012	Tabled in March in 2011	Submitted to EXCO and Council on the 31st March 2011	Finance, EXCO and Council minutes.
	Credit Control & Debt Collection Report	Monthly report to Finance Committee, EXCO and Council	All 12 report submitted to Finance Committee, EXCO and Council	Council minutes



## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Finance

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: FINANCE</b>				
Financial management and viability	Development and adoption of the Indigent Register	Date of submission of the Indigent register to council	The indigent register was submitted to Council on the 27th June 2011	Monthly reports
	MPRA Implementation	Date of Implementation of the MPRA	Billing is done monthly and statements sent out on monthly basis	Council Minutes
	Expenditure management (Payroll & Creditors) Supply Chain Management Implementation		All monthly, quarterly and annual financial reports have been tabled at Council 12 reports submitted to Council	Council Minutes
	Primary banking account detail submitted to Provincial Treasury and Auditor-General	Date of submission	The report was submitted in May 2011	Fax report
	Develop and submit a Draft 2011/2012 budget to National Treasury ( 3 Copies)	Date of submission of draft budget 2011/2012 to Council by acting CFO	On the 31st March 2011 the draft budget was tabled and adopted, subsequently submitted to National Treasury	Council minutes
	Draft 2011/2012 budget to Provincial Treasury ( 1 Copy)	Date of submission of the draft budget 2011/2012 to Council by acting CFO	On the 31st March 2011 the draft budget was tabled and adopted, subsequently submitted to Provincial Treasury	Council minutes

## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Finance

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: FINANCE</b>				
Financial management and viability	Final 2011/2012 OPEX&CAPEX budget approved	Date of submission to council for adoption by May 2011	On the 09 May 2011 the CFO Tabled the operational expenditure and the capital expenditure to Council by CFO and was adopted	Council minutes
	Final 2010/2011 budget to National Treasury	Date of submission of the budget to National treasury	On the 09th May 2011 the budget was Adopted by council and submitted to National treasury	Council minutes
	Monitor the implementation of credit control and indigent policies	Provide monthly reports	Reporting monthly to Finance committee and council Achieved	Minutes of Finance committee
	Ensure monitoring of debt collection targets	Ensure continuous reporting is done monthly to the Finance Committee & Council	Monthly reports of debt collections table to finance committee	Minutes of Finance committee
	Monitor complaints received on inaccurate accounts	NO. of complaints (46)	All 46 complaints have been attended and addressed	Complains Register
	Continuous maintenance of valuation of properties (valuation roll) in terms of new property rates act	Number of supplementary rolls conducted for the year in question	Two (2) supplementary rolls were produced or conducted by the valuator	Minutes of Finance committee and valuator report





## ANNUAL PERFORMANCE INFORMATION AS PRESENTED TO AUDITOR GENERAL

### Departmental Reports : Finance

Key Performance Area/Municipal Strategic Objective	Key Performance Indicators	SDBIP Targets/ Unit of measurement	Actual Achievement / Performance	Means of Verification
<b>DEPARTMENT: FINANCE</b>				
Financial management and viability	Electricity upgrade of the Prepaid system ( cash power upgrade)	Implementation of upgraded system by January 2010	Not Achieved due failure of awarded service provider to implement system. A letter of termination of service was sent to service provider in June. To go out to tender in the first quarter in 2011/2012	Letter sent to service provider
	Ensure continuous improvement of Collection rate	% of collection rate of what is billed	72% collection rate was achieved	Monthly report submitted to finance committee
	Continuous preparation of DORA reports on all grants received	Submission of Monthly reports to National Treasury, Provincial Treasury	Monthly reports prepared and submitted to NT, PT (Achieved)	Monthly reports submitted to NT and PT
	Prepare Supply Chain Management reports in accordance with regulations section 71 of MFMA, policy and procedures	Submitted Monthly to MM, Mayor and Council	Monthly reports prepared and submitted to council (Achieved)	Council Minutes
	Update and Review of Supplier municipal database	Date of review of the supplier database	The review was successfully implemented on the 1 July 2010	Advert calling suppliers to update database information.
	Ensure municipal payroll is completed timeously and accurately	Has to be completed before the 25th of each month	Achieved	Payday payroll reports
	Improve the payment of creditors on time in terms of Section 65 of MFMA	No. of creditors paid on time	Not Achieved	Invoices not submitted on time or submitted with errors

# OVERSIGHT COMMITTEE REPORT

MINUTES OF THE 1ST MUNICIPAL SCOPA COMMITTEE MEETING HELD  
IN THE MUNICIPAL BOARDROOM, MURCHISON STREET, HARDING ON  
WEDNESDAY, 16 NOVEMBER 2011 AT 10H05

### Present

Cllr MV Nyathi	:	Chairperson
Cllr MS Charane	:	Member
Cllr X Ndlangisa	:	Member
Cllr HJ Ngubelanga	:	Member
Cllr SO Njongo	:	Member
Cllr CP Nkomo	:	Member
Cllr MV Vezi	:	Member

### In Attendance

Mr SD Mbhele	:	Municipal Manager
Mrs NA Sigwebela	:	Manager: Corporate Services
Ms NR Khayisa	:	Committee Clerk

### 1. Opening

Councillor CP Nkomo opened the meeting with a prayer.

### 2. Notice Of Meeting

Councillor HJ Ngubelanga proposed and was seconded by Councillor MS Charane.  
Following which, it was

#### Resolved

2.1 That the notice of meeting be taken as read.

### 3. Applications For Leave Of Absence

There were no applications for leave of absence.



## 4. Reports

### 4.1 Terms Of Reference

The Manager: Corporate Services took members through the attached report relating to the terms of reference for Municipal SCOPA explaining it in detail. The guidelines were handed out to the members. The Chairperson requested that the guideline for establishment of Municipal SCOPA be discussed in detail at the workshop which would be scheduled for members.

Councillor SO Njongo referred members to page 11 of the guideline, highlighting point 5.2 “when appointing the Chairperson of the Committee, Council must take into consideration the requirements of transparency, ethical behaviour and general good government prescripts and point 5.3 “ in deciding on the Chairperson, the Council may consider appointing councillors from parties other than the majority parties in Council”. He requested that as the Councillors from other parties would be happy if the Council in the near future considers electing the chairperson of the Municipal SCOPA from the opposition party. Councillor SO Njongo proposed and was seconded by Councillor CP Nkomo. Following which, it was

#### Resolved

4.1.1 That the Terms of Reference for Umuziwabantu Municipal SCOPA, be NOTED.

### 4.2 Internal Audit Report: Human Resources

The Municipal Manager took members through the attached report relating to the above item explaining it in detail. He explained the role of the Internal Audit Committee and further explained that the Human Resources report has been done by Internal Audit Committee as the first assignment. The Manager: Corporate Services elaborated on the report. After going through the report page by page the following inputs and comments were received:-

**Page 16.** No advert issued to invite candidates for an interview

That the recruitment policy be revisited to incorporate employment of General Assistants positions.

That the list of General Assistants employed in the last 5 years, be submitted to the next meeting.

**Page 17.** Leave taken prior to it being approved by senior officials

Reasons to be specified on the leave forms if not signed by the Supervisor or the Head of the Department.

**Page 18.** Overtime pre-authorisation forms processed not signed by the supervisor

That thorough analysis be done per department on overtime pre-authorisation forms.

**Page 19.** Incorrect overtime rates

The formula in the payday application should be revised to calculate the rate of pay based on 250 working days.



Pay day formulas should be approved by the delegated municipal officials prior to them being uploaded.

**Page 21.** Skills retention policy not in place

The Municipality is in the process of developing this policy. Implementation date would be 31 March 2012.

**Page 22.** Lack of staff attendance control

Attendance register should be monitored on a daily basis by Human resources.

The report regarding monitoring of the attendance register for employees including section 57 employees be forwarded to the Finance, Budget Control and Corporate Services committee.

**Page 24.** No signed employment contracts and job descriptions for General Assistants

The issue has been addressed, General Assistants sign a generic job description per section.

**Page 26.** Reference / background check not performed

Reference check has been performed to other positions, not relevant for General Assistants.

**Page 27.** No induction for newly appointed employees

New employees had been inducted, Human Resources to ensure that the attendance register is signed at the induction.

**Page 28.** Lack of controls over sick and family responsibility leave

The family responsibility leave for N Sigwebela should have been cancelled by HR as it was not taken.

Follow up regarding sick leave for ME Zulu be done and the report be forwarded to the next meeting.

**Page 29.** Processed leave application not approved

Documentation be checked whereby the supervisor and the HOD did not sign.

Councillor SO Njongo proposed and was seconded by Councillor X Ndlangisa. Following which, it was

**Resolved**

4.2.1 That progress on the corrective measures be a standard item in the Finance, Budget Control and Corporate Services Committee.

4.2.2 That the Internal Audit Report: Human Resources, be NOTED.





### 4.3 Draft Annual Report

The Municipal Manager took members through the attached report relating to the Draft Annual report explaining in detail. He indicated that the Mayor and Municipal Manager's Comment were not inserted in the report. He added that the Auditor General's reports and the report of the Chief Financial Officer were not included in the draft annual report, as the Auditor General was still busy with the auditing.

The following comments and inputs were received from the members of the committee:-

#### Chapter One

##### **Page 40 – Leadership and Management**

Members requested that consultation be done regarding how the structure of leadership is reflected in the report, since the leadership has been change due to the newly elected leadership.

#### Chapter Two

##### **Page 53 – Technical Services Department Organogram**

Members requested that the organogram which was adopted by Council in 2008 be inserted not the proposed organogram.

##### **Page 61 – Declarations**

The Municipal Manager clarified that the salary for the Chief Financial Officer shows what had been paid for the CFO.

#### Chapter Three

##### **Page 63 to 64 – Social and Local Economic Development**

Izinyosi Honey Production - members raised a concern saying that there has been no progress in 2010 for the Izinyosi Honey Production.

**TV Network** – Network for ward 7 still not addressed.

##### **Page 82 – Infrastructure Development and Basic Service Delivery**

Electrification of community halls in ward 3 be checked if it's not in ward 2 and progress for halls in other wards be included.

**Page 84** – a follow up be done regarding construction of a new gravel access road for Mabhungwini, as the community was not satisfied with the work done by the Contractor. Members requested that the Manager: Project Management Unit be invited to the next meeting to give clarity on issues relating to Contractors who do not perform up to standard.

##### **Page 88 –Financial Management and Viability**



With regards to improvement of payment of creditors on time in terms of Section 65 of MFMA , the Municipal Manager clarified that creditors are paid within 30 days after having received the invoice.

## Chapter Five

### Page 95 – Council Members

Councillor HJ Ngubelanga to be included in the list of Councillors.

Councillor SO Njongo requested progress regarding Ugu Sanitation. Municipal Manager explained that the report regarding Ugu Sanitation will form part of Ugu Annual Report.

### Page 123 – Fruitless and Wasteful Expenditure

The Auditor General's report for 2010 be checked regarding fruitless and Wasteful expenditure.

Following which, it was

#### Resolved

4.3.1 That the Draft Annual Report be NOTED.

#### 4.4 Training For Members

Management was requested to schedule two days training for the members of the Municipal SCOPA.

## 5. Urgent Matters

There were no urgent matters.

## 6. Date Of Next Meeting

To be communicated.

## 7. Closure

Councillor SO Njongo closed the meeting with a prayer at 13h04.



**CLLR M V NYATHI**  
**CHAIRPERSON: STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)**  
**28 MARCH 2012**



# MINUTES OF THE 1ST SPECIAL MUNICIPAL SCOPA COMMITTEE MEETING HELD IN THE MUNICIPAL BOARDROOM, MURCHISON STREET, HARDING ON WEDNESDAY, 29 FEBRUARY 2012 AT 10H07

## Present

Cllr MV Nyathi	:	Chairperson
Cllr X Ndlangisa	:	Member
Cllr HJ Ngubelanga	:	Member
Cllr SO Njongo	:	Member
Cllr CP Nkomo	:	Member
Cllr MV Vezi	:	Member

## In Attendance

Mrs NA Sigwebela	:	Manager: Corporate Services
Mr I Ogle	:	Acting Chief Financial Officer
Mr W Gumede	:	Manager: Strategic Planning
Ms NR Khayisa	:	Committee Clerk

## 8. Opening

Councillor X Ndlangisa opened the meeting with a prayer.

## 9. Notice Of Meeting

Councillor HJ Ngubelanga proposed and was seconded by Councillor CP Nkomo. Following which, it was

### Resolved

2.1.1 That the notice of meeting be taken as read with amendments.

## 10. Applications For Leave Of Absence

It was noted that Councillor MS Charane was on maternity leave from 05 December 2011 to 04 April 2012. The Municipal Manager was to join the meeting late. Councillor X Ndlangisa proposed and was seconded by Councillor CP Nkomo. Following which, it was

### Resolved

- 10.1 That Councillor MS Charane is hereby granted leave of absence.
- 10.2 That the Municipal Manager is hereby allowed to join the meeting late.



## 11. Reports

### 11.1 Auditor's General Report

The Manager: Corporate Services took members through the attached report relating to Auditor General's report. She explained that the powers and functions of the Municipal SCOPA, amongst other are to assist Council hold the executive and the municipal administration to account, by means of examining the Audit Reports on Annual Financial Statements of the Municipality and any reports issued by the Auditor General on the affairs of the Municipality.

The Acting Chief Financial Officer took members through the tabled corrective measures explaining it in detail. He indicated that the responses relating to corrective measures are based on the findings from the Auditor General and the Management letter.

At 11h00 Councillor SO Njongo proposed that the committee be adjourned to allow management to correct the report and management corrective actions and was seconded by Councillor HJ Ngubelanga. The meeting resumed at 11h15.

On return, the Acting Chief Financial Officer went through the tabled corrective measures explaining the following in detail:-

- Cash and cash equivalents
- Compliance
- Employee costs
- Inventory
- Movable assets
- Receivables
- Revenue and
- Unauthorised expenditure

The Manager: Strategic Planning went through the predetermined objectives explaining the following in detail:-

- Usefulness of information
- Reported objectives, indicators and targets are not consistent when compared with the planned objectives, indicators and targets.
- Compliance with laws and regulations
- Annual financial statements





- Procurement and contract management
- Expenditure management

Councillor SO Njongo raised a concern regarding reported objectives, indicators and targets that are not consistent when compared with the planned objectives. He requested that quarterly reviews should be prioritized to monitor Performance Management system. The Manager: Strategic Planning informed members that the 07th and 08th of March 2012 had been set for Quarterly reviews. He further requested that dates for quarterly reviews be part of the schedule of meetings. Following lengthy discussions and clarifications on questions raised, Councillor SO Njongo proposed and was seconded by Councillor MV Vezi. Following which, it was:

#### **Resolved To Recommend To Council**

- 11.1.1 That Performance Management System (quarterly reviews) be prioritized by the Council.
- 11.1.2 That the Municipal Manager and the Speaker communicates to make quarterly reviews a success.
- 11.1.3 That dates for quarterly reviews be included in the Schedule of council meetings in the following year.
- 11.1.4 That the list for declarations of interest be submitted to the next meeting.
- 11.1.5 That the list of unspent grants and the reasons be submitted to the next meeting.
- 11.1.6 That the committee notes the report.
- 11.1.7 That the committee notes the recommendations on corrective measures of both the Auditor General's report and Management report.

#### **11.2 Draft Annual Report**

The Manager: Strategic Planning took members through the attached draft annual report explaining it in detail. After going through the Draft Annual Report the following inputs and comments were received from the members:-

**Page 16** Correction of Thokozani Bashana to read as Thokozani Madumisa.  
Tribal area to be corrected as Tribal Authority

**Page 21** Councillors initials be corrected.

**Page 30** Attendance register for IDP forum, Housing forum, Labour forum,  
Finance, Budget Control and Corporate Services and Council be submitted to the next meeting.

**Page 42** Remuneration of the Chief Financial Officer be reflected as an Expenditure.

In-kind Benefits to reflect that only the Mayor and the Speaker are provided with secretarial support.

**Page 45** Under TV network "wards have all been visited "to reflect as some  
Areas, KwaMachi be changed to reflect as KwaJali.



Under Cell phone network line 7 the word “create” be included in the sentence.

**Page 52** A concern was raised regarding Mabhungwini Access road which reflect as 100% complete, whilst the road was not done up to standard. Thereafter it was resolved that members of the committee visit Mabhungwini road for inspection on the 1st March 2012 at 3:00 o'clock. Councillor CP Nkomo requested that in the near future all projects should be visited by the committee after completion for inspection.

**Page 53** The Manager: Strategic Planning to check which, funding for electricity was used and which one was sent back.

Councillor SO Njongo proposed and was seconded by Councillor X Ndlangisa.  
Following which, it was

#### Resolved

4.2.1 That the Draft Annual Report be and is hereby NOTED.



**CLLT M V NYATHI**  
**CHAIRPERSON: STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)**  
**28 MARCH 2012**



# REPORT TO SCOPA

## OVERSIGHT REPORT IN RESPECT OF THE 2010/2011 ANNUAL REPORT FOR UMUZIWABANTU MUNICIPALITY

**Date : 28 March 2012**

### 1. Purpose

To propose that the Municipal Council adopts the Oversight Report in respect of the 2010/2011 Annual Report.

### 2. Background

#### 2.1 Oversight Process

The Council resolved that the oversight role on the compilation of the 2010/2011 Annual Report be performed by the Standing Committee on Public Accounts (SCOPA). The Council took cognisance of the legislative framework prescription on members that should form part of a committee that plays an oversight role on the compilation of an annual report, when decided on assigning this role to the Standing Committee on Public Accounts (SCOPA).

The Standing Committee on Public Accounts (SCOPA) comprises of 6 non-executive councillors, which is in line with circular 32 of the Municipal Finance Management Act, Act 56 of 2003 and Sections 33 and 79 of the Municipal Structures Act, 1998.

The Standing Committee on Public Accounts (SCOPA) meeting was held on the following date to consider the Annual Report:

- 29 February 2012

The minutes of the above mentioned are attached hereto as Annexure A

#### 2.2 Consultation Process

Following the tabling of the 2010/2011 Annual Report at a Council meeting held on 25 January 2012, a public notice on the availability of the 2010/2011 Annual Report was placed in the local media. The community was invited to submit representations on the report. Copies of the Annual Report were placed for review at the following places: Municipal library, Traffic Department, Main Municipal offices, Finance Department and Technical services department. The Standing Committee on Public Accounts (SCOPA) meeting was also advertised in the local newspaper inviting community participation in all its Committee meetings.



There were no written comments received from the members of the community.

### **2.3 Comments and Review by the Municipal Public Accounts Committee (MPAC)**

#### **2.3.1 Financial Matters - Annual Financial Statements - Section 121 (3) MFMA**

It be NOTED that:

- The consolidated annual financial statements included in Chapter 4 of the Annual Report are the Statements that were submitted to the Auditor- General.  
The Auditor General expresses an unqualified audit opinion in respect of Umuziwabantu Local Municipality.
- The audit report is included in the Annual Report as tabled.
- Management corrective action plans to the audit findings raised by the Auditor- General have been tabled to Council and will be attached as an annexure to Chapter 4 of the printed annual report.

#### **2.3.2.2. Human Resources and Other Organisational Management**

That it be noted that in addition to possessing a tertiary qualification, the Municipal Finance Management Act, act 56 of 2003 prescribes that the Accounting Officer, the Chief Financial Officer, Senior Management, other financial officials and Supply Chain Management officials of the municipality management meet minimum financial management competency levels and competency levels for supply chain management. National Treasury issued Regulations on Minimum Competency Levels on the 15th of June 2007; the regulations prescribe the minimum competency levels for the aforementioned categories of officials. As prescribed and required by the regulations, progress report on the attainment of the minimum competency levels is included in the annual report under the skills development section of the annual report.

### **3. Strategic Implications**

The adoption of the Oversight Report on the annual report is in accordance with the KPAs - Good Governance and Public Participation and Infrastructure and Basic Service Delivery.

### **4. Legal/Statutory Implications**

- Municipal Finance Management Act, 2003 (Act 56 of 2003) (Chapter 12).
- Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6), as read with the Municipal Systems Amendment Act, 2003 (Act 44 of 2003).
- Municipal Structures Act, 1998 (Act 117 of 1998).





## 5. Staff/Personal Implications

None.

## 6. Financial Implications

The Annual Report and the oversight process are provided for in the 2011/2012 budget.

## 7. Communications Implications/Public Relations

- A public notice inviting representations from the community was placed in the local media.
- Meetings of the Standing Committee on Public Accounts (SCOPA) were advertised in the local press and all meetings were open to the members of the public.

## 8. Other Parties Consulted

- The Auditor-General.
- Audit Committee
- Corporative Governance and Traditional Affairs (COGTA)

## 9. Recommendations

- a) That the Scopa approves the 2010/2011 Oversight report.
- b) That the Scopa having fully considered the 2010/2011 annual report, adopts it without reservation.
- c) That the Scopa recommends to Council that the 2010/2011 annual report oversight report be approved.
- d) That the Scopa recommends to Council that the 2010/2011 annual report the adopted without reservations.



**CLLT M V NYATHI**  
**CHAIRPERSON: STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)**

## UMUZIWABANTU MUNICIPALITY

EXTRACT FROM THE DRAFT MINUTES OF THE 7<sup>TH</sup> COUNCIL MEETING HELD IN THE MUNICIPAL BOARDROOM, MURCHISON STREET, HARDING ON FRIDAY THE 30<sup>TH</sup> MARCH 2012 AT 10H00.

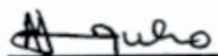
### 6.2 OVERSIGHT REPORT

Councillor M V Nyathi took members through the Oversight Report explaining it in detail. Councillor H J Ngubelanga proposed and was seconded by Councillor M J Jali and it was thereafter

#### RESOLVED:

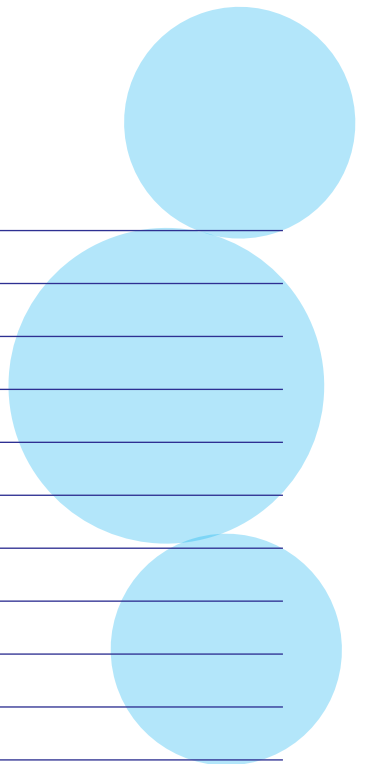
- 6.2.1 That Council having fully considered the 2010/2011 Annual Report adopts the Annual Report and Oversight Report without reservations.

CERTIFIED AS A TRUE COPY OF THE ORIGINAL

  
\_\_\_\_\_  
CLLR AD NGUBO  
CHAIRPERSON



# NOTES



A series of horizontal blue lines spanning the width of the page, intended for writing notes.





**WORKING TOGETHER**

## **ACRONYMS AND ABBREVIATIONS**

<b>MIG</b>	<b>Municipal Infrastructure Grant</b>
<b>DBSA</b>	<b>Development Bank of South Africa</b>
<b>NRW</b>	<b>Non-Revenue Water</b>
<b>DWARD</b>	<b>Department of Water Affairs and Rural Development</b>
<b>PMU</b>	<b>Project Management Unit</b>
<b>EHP</b>	<b>Environmental Health Practitioners</b>
<b>ISD</b>	<b>Institutional and Social Development</b>
<b>JIPSA</b>	<b>Joint Initiative on Priority Skills Acquisition</b>
<b>ASGISA</b>	<b>Accelerated and Shared Growth Initiative- South Africa</b>
<b>IDP</b>	<b>Integrated Development Plan</b>
<b>SDBIP</b>	<b>Service Delivery and Budget Implementation Plan</b>
<b>SDIP</b>	<b>Service Delivery Improvement Plan</b>
<b>MSA</b>	<b>Municipal Systems Act</b>
<b>MFMA</b>	<b>Municipal Finance Management Act</b>
<b>GDS</b>	<b>Growth and Development Summit</b>
<b>COGTA</b>	<b>Corporate Governance and Traditional Affairs</b>
<b>EIA</b>	<b>Environmental Impact Assessment</b>
<b>DAEA</b>	<b>Department of Agriculture and Environmental Affairs</b>
<b>HIV</b>	<b>Human Immune Deficiency Virus</b>
<b>AIDS</b>	<b>Acquired Immune Deficiency Syndrome</b>
<b>CDW</b>	<b>Community Development Worker</b>
<b>PVA</b>	<b>Public Viewing Area</b>
<b>OHS</b>	<b>Occupational Health and Safety</b>
<b>DMAF</b>	<b>Disaster Management Advisory Forum</b>
<b>HIRA</b>	<b>Hazard Identification and Risk Management</b>
<b>EPWP</b>	<b>Expanded Public Works Programme</b>





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