# ZULULAND DISTRICT MUNICIPALITY DRAFT ANNUAL REPORT 2015/2016

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# CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### **COMPONENT A: MAYOR'SFOREWORD**



Cllr MA Hlatshwayo

#### Vision

As a District Municipality, the core existence of the Zululand District Municipality (ZDM) goal is to improve the quality of life for all our communities by providing and fast-tracking access to water and sanitation. We are still committed to the provision, in line with the Constitution of the Republic of South Africa.

#### **Key Service Delivery Improvements**

As it has always been the case, our core function and focus has not changed, we are still committed to the provision of potable water and sanitation to about one million residents of our district.

I am aware of the backlogs especially in the provision of water which is partly due to the devastating drought ravaging our province of KwaZulu-Natal and inadequate funding that we continue to receive from Municipal Infrastructure Grant (MIG).

Some of our water schemes are running dry because of these devastating drought and we have done our best to mitigate against that situation through the drought relief aid received from the Department of Water and Sanitation (DWS).

We have established drought relief interventions within all five local municipalities under ZDM. The R37.4 million drought relief aid that was allocated to our District was utilized according to the minimal requirements for each local municipality.

Despite hiccups brought about by the drought, work is still in progress in our 10 Regional Water Schemes Work and other standalone water schemes to eradicate water crisis within the district.

I believe you are aware that ZDM needs more than R3.2billion to eradicate water and sanitation backlogs within the Zululand district, which is expected to take a long time to fulfill considering the mere grants that are allocated to the ZDM annually.

As a service delivery driven district municipality, we ensured that all funds allocated to ZDM for water and sanitation and other services were always exhausted.

On top of our core delivery function, ZDM continues to have Local Economic Development (LED) programme whereby income generating projects within our 89 wards are funded to the tune of R60 000 per ward. There is also a budget set aside to fund income-generating projects for widows' and orphans clubs also within our 89 wards to the tune of R20 000 per ward. These programmes play an important role in mitigating high rate of unemployment and poverty alleviation within the district of Zululand.

#### **PUBLIC PARTICIPATION**

During each and every financial year as per relevant legislations, our municipality held budget and IDP road shows within all the five local municipalities under ZDM, which are ;Nongoma, Ulundi, Phongola, eDumbe and AbaQulusi. Besides these road shows within the borders of our district, we also regularly hold other road shows in Durban and Johannesburg as most of our economic active citizens from our district are migrant workers based mainly in those two areas. We also hold regular meetings with all stakeholders and Traditional Leadership within our district and beyond to get their views on how we can best provide our core services to them.

#### FINANCIAL CONTROL SYSTEMS

During the past term ZDM managed to receive two consecutive Clean Audit Opinions from the office of the Auditor-General whilst the other audit outcomes were unqualified audit opinions.During our term we ensured that we run a corrupt-free and well-run District Municipality. Receiving unqualified audit Opinions were as a result of implementing good financial management systems and stringent fiscal controls that makes it easier to detect any wrong doing.

I take this opportunity to thank all ZDM Councillors, the Traditional Leadership within Zululand, ZDM Management and Staff for a relatively successful term that we had from 2011 till 2016.

I thank you all.

#### SPEAKER'S FORWARD



Cllr V. O Mbuyisa

Our brief as a municipality is to adopt the process of moving local government from transition to transformation. Service delivery transforms areas which lacked major services like water, electricity, sanitation, roads, storm-water infrastructures etc.

The process of transformation also improves social services like Health, Education, Safety and Security etc. There is no closed list of key performance areas for a municipality. The IDP process identifies other specific areas of performance for a municipality.

Our key focus areas for the 2015/2016 Financial Year has also been to empower Councillors and Staff. Transformation should be owned and driven by Councillors themselves. They are playing a significant role in monitoring, oversight, and budgeting and community participation.

With their oversight role, they should oversee even municipal relationship matrix. A wide range of entities, Investors, Service Providers, Donors and Donor Agencies for a large rural municipality like ours, needs Councillors who are equipped with extra-ordinary skills.

Councillors have been exposed to a number of Refresher Courses, Inductions, Full Diploma Courses like MFMA, Disaster Management refresher sessions and many others. A number of these courses have been with accreditations.

Municipal Finance Management Programme and Auditor-General sessions with councilors were very effective, leading the municipality to a seamless unqualified audit report.

At this point and time I would like to thank the Mayor, the Municipal Manager, Finance Committee, Auditor-General, Councilors', Staff, Internal Auditors, Audit Committee, MPAC and everyone who became a conduit for channeling our financial activities to and unqualified and seamless audit report.

This year our municipality obtained a number of awards from COGTA including the Best Performing Municipality. Our municipality has been identified as one of the Lead Rural municipalities.

At times, especially this year, the municipality had to deal with a short-term problem of drought. A need arose for stringent water flow restrictions. Whilst it is the basic right for communities to access potable water, councillors and our staff members had also to inculcate the habit of responsibility in communities and other water users.

One of the awards was the best IDP in the country. As we are all aware the IDP is the principal planning instrument with a response to the needs of local communities. It also embraces many of the characteristics of Local Agenda 21. It also responds to the international Local Agenda 21 mandate.

Section 79 and 80 Committees performed exclusively well. These Committees are cornerstones where activities of the municipality are refined and thoroughly discussed before they are recommended for EXCO and Council Resolutions. Chairpersons of these Committees played crucial and critical roles. My gratitude goes over to the Municipal Manager, Head of Departments and Chairpersons of these Committees.

The Council's response to Back to Basics Programme has improved a number of performance areas with challenges to the municipality.

Zululand District Municipality is 80% rural. The inclusion of the Traditional Leadership in Council ushered a significant and systematic approach to service delivery. Traditional Leadership has also been participating in Section 79 and 80 Committees. Apart from its primary communication functions, Traditional Leadership is also an important role players in the Land Use Management for our municipality.

Apart from response to our core responsibility, water and sanitation, our municipality had to respond to needs analyses from communities for Early Childhood Development (ECD). A number of creches were built. All community participation road shows identified such a need.

In conclusion I am tempted to pass over words of gratitude to the Mayor, Municipal Manager, Staff, Sector Departments, TIKZN, Divine Life Society of South Africa, MECs, Traditional Leadership, Local Civil Society Structures and communities for their unwavering support throughout key challenges and constraints facing the municipality.

Our family of local municipalities with their moral and physical support programmes, were of great value.

Once more my valuable gratitude is extended to councillors. Our Municipality has been a hung municipality; it needed skilled and talented Councillors to be able to function as a coalition government. We succeeded and sustained governance and service delivery to the communities.

#### **COMPONENT B: EXECUTIVE SUMMARY**

### **1.1 SUMMARY MUNICIPAL MANAGER'S OVERVIEW**



As an Accounting Officer for the Zululand District Municipality (ZDM) it is with great pleasure for me to present the final term report on our district municipality's performance during the past five years ended on 30 June, 2016.

A lot was achieved by ZDM in the past term; however a lot still needs to be done in the quest to bring about change in the lives of about 1 million citizens of our district.

Zululand District Municipality mammoth task is to deliver water and sanitation to the citizens of Zululand. Whilst a lot was achieved during the past term, ZDM still needs more than

R3.2billion to eradicate water and sanitation backlogs but the rate of annual funds allocated to the district in the past five years made it impossible to eradicate the backlogs.

However, we did our utmost best to ensure that the funds allocated to us were fully utilized for their purpose and we had a good history of exhausting all funds that are allocated to us every financial year. No funds allocated to us were ever returned to the central government unused and we have no history of underperforming on programmes we set for ourselves.

Since no party attained an absolute majority after the 2011 local government elections, ZDM was politically governed by the coalition between the National Freedom Party (NFP) and the African National Congress (ANC).

Despite challenges brought about by the coalition governments in other municipalities, ZDM was a success story as most challenges were amicable resolved.

In fact ZDM was cited as one of the best performing district municipalities in KwaZulu-Natal and the country as was mentioned by the Honorable State President Jacob Zuma during his 2014 State of the Nation Address.

Since the establishment of this District Municipality, we have made it a point that the finances of the Municipality are well-looked after. Hence we have attained a record of 14 Unqualified Audit Opinions, consecutively, from the Office of the Auditor-General.

The attainment of Clean Audit Opinions during the 2013/2014 and 2014/2015 financial years, were major highlights of our achievements in the passing term.

Whilst we pride ourselves for this achievement, it was because of good working relations between the Council, the Executive Committee, the Management Committee and the traditional leadership within our district which filtered down to all staff members.

This instilled a desire to work hard and diligently thereby ensuring that true to ZDM's motto, services was delivered to the communities with integrity.

The past two years of the term were also gruesome for the district as we experienced the most devastating drought the district has ever experienced in the past 30 years.

After being mistakenly left out when most KZN Districts were declared as disaster struck areas, Zululand District was included in the list and we were allocated a R37.4 million Drought Relief Aid.

The Drought Relief Interventions Programme to mitigate against the drought was implemented in all affected areas within the five local municipalities under ZDM, however the relief was insufficient as compared to the effect of the drought.

It is not an understatement to mention that our efforts to deliver potable water and sanitation to the residents of Zululand were severely affected by the on-going drought.

I believe that we did everything possible to ensure that our residents were served to the best of our ability and, always with integrity.

I am pleased to have worked very well with the political leadership, traditional leadership and the staff during the past term.

As ZDM we are looking forward to the inauguration of the new council and we anticipate that there will be a good co-operation between the new leadership, the staff and that we will continue to put foremost in our endeavors the needs of the residents of our beautiful district.

I trust that our service delivery driven attitude made a lot of difference to the lives of most residents within our district during the past term.

No.	Functions as per the Constitution of the Republic of South Africa; Municipal Structures Act	What has been done?
	Integrated development planning for the district municipality	Regional/Sectoral Planning, Spatial Planning Land Use Policy
	Bulk supply water	Provision and regulation
	Bulk sewage purification works and main sewage disposal	Provision
	Municipal (district) roads	Not yet defined
	Regulation of passenger transport services	planning of infrastructure Regulating (permits, control)

# **1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW**

	Municipal airports (regional)	operation, management
	Municipal health services	Limited to Environmental health services and Includes regulation of Air and noise pollution, storm water management, water and sanitation, refuse and solid waste disposal
	Fire fighting services	Planning, coordinating and regulating Standardization of infrastructure, vehicles and procedures Disaster Management Plan
	The establishment, conduct and control of fresh produce markets and abattoirs serving the area of the district municipality	The need for a regional fresh produce market does not exist.
	The establishment, conduct and control of cemeteries and crematoria	The study revealed that there is no need for a regional cemeteries
	Promotion of local tourism for the area of the district municipality	Co-ordination, strategic planning
	Municipal public works relating to any of the above	construction and maintenance

functions or any other functions assigned to the district municipality	of public infrastructure and facilities
The receipt, allocation and if applicable the distribution of grants made to the district municipality	The grants gazette for ZDM are received and spent according the grant conditions. ZDM does not distribute grants.

# 1.2.1 Key issues from the table above

# Water and Sanitation

In terms of municipal service provision i.e. water and sanitation, the Zululand District Municipality is a water service authority. Most of the district population is indigent which throws a challenge towards long term, sustainable water service provision. Nonetheless, this does not prevent the municipality providing the entire population in the district free basic water and sanitation.

The municipality has also regularly spent its entire MIG allocation towards establishing a reliable and quality water service to its citizens.

# **Integrated Development Planning**

Integrated Development Planning is constantly improving with the district refining its coordination role in so far as infrastructure, spatial, community and environmental planning is concerned. Several structures including portfolio committees and administrative have been meeting regularly within these sectors to ensure vertical and horizontal alignment of service delivery within the district.

# **1.2.2 VISION, MISSION, AND VALUES**

The ZDM Council adopted the following long- term development vision.

"We are the ZULULAND region and proud of our heritage. We are mindful of the needs of the poor and we seek to reflect the aspirations of our communities. We are committed to responsible and accountable actions, tolerance and concern for racial harmony, the protection of our environment, and the strengthening of the role of woman and youth. We will strive to improve the quality of life in Zululand by providing sustainable infrastructure, promoting economic development and building capacity within our communities"

WE SERVE THE PEOPLE

#### MISSION

To create an affluent district by:

Provision of optimal delivery of essential services Supporting sustainable local economic development, and Community participation in services delivery

#### Core values

- Transparency
- Commitment
- Innovation
- Integrity
- > Co-operation

The above vision strategic focus areas of the Zululand District Municipality are:

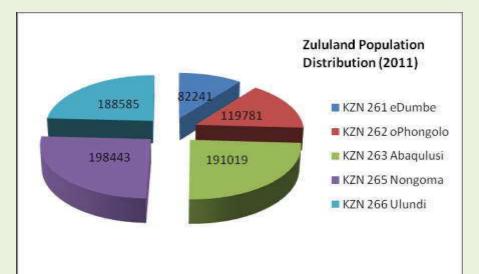
- > To facilitate the delivery of sustainable infrastructure and services
- > To promote economic development
- To promote social development

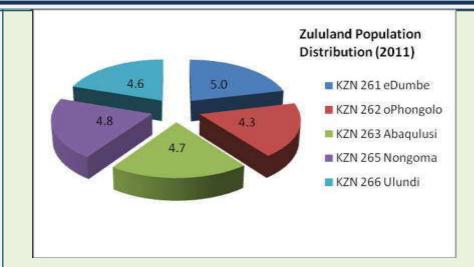
These focus areas are broken down to objectives and strategies, which is used to set KPI's for the measurement of the Municipality's performance, and progress with its service delivery mandate. It is important to note that the national KPAs as set that relate to community participation, good governance, municipal transformation and financial viability are considered as of a cross-cutting nature and therefore form an integral part of each of the strategic focus areas:

1.2.3	Popu	lation	Profile
-------	------	--------	---------

		Population	
MDB Code	Municipality		
Year		2001	2011
KZN 261	eDumbe	82241	82053
KZN 262	oPhongolo	119781	127238
KZN 263	Abaqulusi	191019	211060
KZN 265	Nongoma	198443	194908
KZN 266	Ulundi	188585	188317
DC 26	Zululand	780069	803575
RSA	South Africa	44819777	51770561
	KwaZulu		
KZN	Natal	9584129	10267300

# Source: Census 2011 Population Distribution Graph





		Sex Ratio	
MDB Code	Municipality	Males per 100 f	emales
Year		2001	2011
KZN 261	eDumbe	89.7	88.2
KZN 262	oPhongolo	88.3	88.5
KZN 263	Abaqulusi	91.4	90.9
KZN 265	Nongoma	80.2	83.2
KZN 266	Ulundi	81.4	82.4
DC 26	Zululand	85.4	86.3
RSA	South Africa	91.7	94.8
KZN	KwaZulu Natal	87.7	90.5

### Source: Census 2011

Gender proportions in Zululand indicate that there is as higher proportions of females as compared to males. The highest number of females (131,599) is found in Nongoma and the majority of males are concentrated in Abaqulusi

Gender proportions for each municipality and from the table demonstrate that there is significant variation among the municipalities. Abaqulusi (90.9%) oPhongolo (88.5%) and eDumbe (88.2%) have relatively high proportions of females in their respective populations.

It is a known trend that women are classified under disadvantaged groups and with them being in the majority the municipality has devised several programmes and interventions to address the plight of women in the district.

#### Age dependency ratio

With the graph below it is evident that the Zululand District Municipality has one of the highest dependency ratios between children and adults respectively. This demonstrates a need to sustain social development programmes and support to communities by the municipality and its stakeholders (see strategic plan and budget).

		Dependency Ratio	
MDB Code	Municipality	per 100 (15-64)	
Year		2001	2011
KZN 261	eDumbe	87.0	81.7
KZN 262	oPhongolo	82.0	77.3
KZN 263	Abaqulusi	73.9	70.5
KZN 265	Nongoma	103.8	88.0
KZN 266	Ulundi	91.9	81.1
DC 26	Zululand	87.9	79.2
RSA	South Africa	58.7	52.7
	KwaZulu		
KZN	Natal	65.4	58.5

Source: Census 2011



# **1.3 FINANCIAL HEALTH OVERVIEW**

The financial health review is covered in the CFO report.

# **1.4 "AUDITOR - GENERAL'S REPORT"**

For the year ended 30 June 2016, an unqualified audit report was achieved for the second consecutive year. A full report is also annexed for further information.

# **1.5 STATUTORY ANNUAL REPORT PROCESS**

N 0.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	July
3	Finalise 4 <sup>th</sup> quarter Report for previous financial year	
4	Submit draft 15/16 Annual Report to Internal Audit and "Auditor-General"	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to "Auditor General".	August
10	Annual Performance Report as submitted to "Auditor General" to be provided as input to the IDP Analysis Phase	

11	"Auditor General" assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the "Auditor General's Report"	
14	Audited Annual Report is made public and representation is invited	November
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	December
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input.	January
T1.7	7.1	

CHAPTER 2 – GOVERNANCE

# COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

# 2.1 INTRODUCTION TO POLITICAL GOVERNANCE

Executive Committee, Speaker and the Municipal Manager



Standing from L-R: Cllr ME Khumalo, Cllr BB Zwane, Cllr SS Ntombela and Cllr SE Nkwanyana

Seated from L-R: The Municipal Manager- Mr. JH de Klerk, the Honourable Mayor-Cllr MA Hlatshwayo, the Deputy mayor- Cllr SE Qwabe and the Honourable Speaker, Cllr OV Mbuyisa

# 2.1.1 EXCO MEMBERS

MAYOR

CLLR MA HLATSHWAYO

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# DEPUTY MAYOR

CLLR SE QWABE

Function

SPEAKER

CLLR OV MBUYISA

# MEMBERS OF THE EXECUTIVE COMMITTEE

CLLR SE NKWANYANA

CLLR BB ZWANE

CLLR SS NTOMBELA

CLLR ME KHUMALO

The Council of the Zululand District Municipality consists of 35 Councilors, 40% of which are proportionally elected and 60% elected to the district municipality from respective local municipalities. The Council is chaired by the Speaker, The Honorable Cllr OV Mbuyisa.

•The Executive Committee is chaired by His Worship The Mayor, Cllr MA Hlatshwayo. The political parties represented in our council are the IFP (14), NFP (10), ANC (10) and the DA with (1) Councilor(s) respectively.

# 2.1.2 Members of the Full Council

	POLITICAL	SURNAME NAME 9		
	PARTY			%
DC26	ANC	Zulu Richard Mxolisi		DC "40%"
DC26	ANC			DC "40%"
DC26	ANC	Khumalo		
DC26	ANC	Lushaba	Mavis Thabisile	DC "40%" DC "40%"
DC26	IFP	Buthelezi	PhumzileATN	DC 40%
DC26	IFP	Mjaja	July Nelson	DC 40%
DC26	IFP	Zwane	Bongiwe Benedicta	DC 40%
	IFP	+	Bhekithemba Jerome	DC 40%
DC26 DC26	IFP	Mncwango Lukhele	Thembelihle Brenda	DC 40%
				DC 40%
DC26	IFP	Nkwanyana	Sibusiso Elwin	
DC26	NFP	Ntombela	SphamandlaSiyethemba	DC "40%"
DC26	NFP	Hlatshwayo	MpiyakheAlson	DC "40%"
DC26	NFP	Dumakude	Lucky Sithembiso	DC "40%" DC "40%"
DC26	NFP	-		
Abaqulusi	ANC	Ntshangase Mncedisi Simon		LC"60% LC"60%
Abaqulusi	ANC		Qwabe Sesi Esther	
Abaqulusi	DA	Nkosi	Sibusiso Raymond	LC"60%
Abaqulusi	IFP	Buthelezi Zaminhlahla.Simon		LC"60%
Abaqulusi	IFP	Mhlungu	Richman Bonginhlanhla	LC"60%
			Israel Sizwe	
Abaqulusi	NFP	Hadebe	Muziwandile	LC"60%
Pongolo	ANC	Nhlabathi	BawinileCycilia	LC"60%
Pongolo	IFP	Mntungwa	ungwa Mbongiseni Milton	
Pongolo	NFP	Nxumalo	o KwenzakakufaniEzaro	
eDumbe	ANC	Mbatha	ha Ilgo Abel Thulani.	
eDumbe	NFP	Nhlabathi Nomsa Margaret		LC"60%
Nongoma	ANC	Xaba Nomusa		LC"60%
Nongoma	IFP	Khumalo Tholi Jane.		LC"60%
Nongoma	IFP	Dlamini Qedi Maxwell		LC"60%
Nongoma	NFP	Zulu Sbusiso Johnson		LC"60%
Nongoma	NFP	Zulu	Nomsa Fikile	LC"60%
Ulundi	ANC	Siyaya	Zanele	LC"60%
Ulundi	IFP	Buthelezi	Mkhawuleni Ezrom	LC"60%

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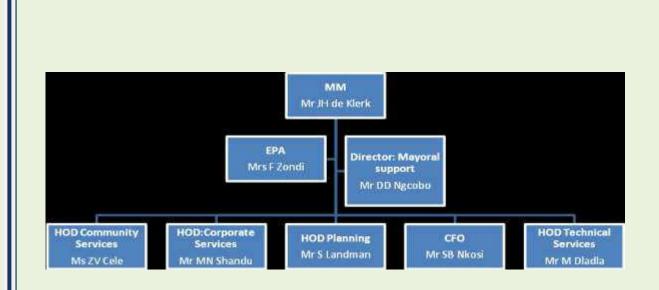
Ulundi	IFP	Mkhize	Thokozani Kenneth	LC"60%	
Ulundi	IFP	Ximba	Sindisiwe Pearl	LC"60%	
Ulundi	NFP	Khumalo	Themba Lillian	LC"60%	

# **2.1 POLITICAL DECISION TAKING**

Good governance is built upon an effective interface between political office bearers, political structures, councillors and officials, the delegation of appropriate powers to achieve maximum operational and administrative efficiency and the amicable resolution of disputes between the respective role players. Councillors are accountable to both the community and to their own constituents.

As members of council, where the focus is necessarily on governing in the best interests of the entire municipality, councillors are accountable in multiple ways. These include acting in their roles as legislators, policy makers, strategists and financial overseers. Councillors also have to represent their constituents on a wide range of issues.

It is important, from a good governance perspective, that these pressures are recognised and managed.



**2.2 ADMINISTRATIVE GOVERNANCE** 

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Mr MA Dladla HEAD OF DEPARTMENT: Technical services

Ms ZV Cele HEAD OF DEPARTMENT: Community Services



Mr S Landman

HEAD OF DEPARTMENT: PLANNING SERVICES

#### 2.2.1 CORPORATE SERVICES



Corporate Services is headed by Mr Michael Shandu and manages the governance affairs of the municipality. The Corporate Services Department is the portal of entry and exit from the Municipality and supports the functions of all the other departments in the Municipality. The Head of Department: Mr Michael Shandu ensures that the department provides support services and generally ensures that all administrative functions of the Municipality are properly coordinated.

Our main objective is to render an effective and efficient service to our internal and external stakeholders and to ensure that our customers are satisfied with the level of service that we provide.

The Corporate Services department comprises of the following sections:

#### **MANAGEMENT SERVICES**

This Section is responsible for the effective functioning of various Council functions:

#### Secretariat: Council & Committees

This sub section is responsible for the compilation and distribution of all agenda's and minutes of meetings. The committee section further ensures that the resolution register is kept up to date and is functional in terms of confirming that all Council resolutions are distributed to the relevant departments for their attention and execution. Committees also provide general administrative support to the municipality.

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#### **Customer Care**

The Customer Care unit is responsible for effectively coordinating all customer complaints relating to the municipality's services. The municipality makes use of an electronic system that allows all queries to be captured and allocated to the relevant section while ensuring that the customer is kept abreast of the movements via sms messaging. The Batho Pele principles are applied when dealing with all customer queries. The unit is further linked to national and provincial systems that address customer complaints. ZDM Customer Care is part of both the Provincial Batho Pele Forum as well as the Provincial Complaints Forum.

#### **Overview of Human Resources**

This section is responsible for the recruitment and selection of staff. The achievement of the Employment Equity Plan of the organization is coordinated by this section. Furthermore the provision of human resource administration services to the municipality's internal customers and assists with issues such as benefits, leave, allowances, subsidies, etc. The Section also ensures that all Human Resources Policies and Procedures are updated from time to time to ensure compliance with existing legislation and HR best practice.

#### **Labour Relations**

This section concerns itself with ensuring the existence of healthy labour relationships by: being proactive in resolving employee grievances/issues, professional handling of disciplinary or misconduct matters, and by championing dialogue through consultation and collaboration.

#### **Skills Development and Training**

This section formulates the Workplace Skills Plan (WSP) and equips staff with the necessary skills to meet the demands of their jobs. The section also coordinates all training and development events, including Bursaries, Learnerships, and Learning Programs are handled by this section, as is all contact and liaison with external Providers.

#### Interpretation

The dominant languages spoken in the Zululand District Municipality are isiZulu and English, thus the municipality thrives to ensure that members of Council and the community are addressed in their language of preference. Therefore, this unit provides interpretation services during council meetings and further interprets documents that require translation

#### **Occupational Health and Safety**

This section monitors compliance with legislation and ensures that measures for a safe and healthy environment for employees are in place. It focuses on implementing corrective measures to eliminate hazards in the workplace.

#### **AUXILLIARY SERVICES**

#### Records

Since the implementation of the Electronic Records Management System (EDMS) which was done by Business Engineering in 2006 the council has made considerable progress in modernizing and improving its Records system. The installation of Collaborator has resulted in quick and easy cross-referencing and improved service delivery and transparency when it comes to information management, accessing important documents such as tenders as well as the benefit of having fast workflow distribution to all relevant departments, sharing and searching for information and finally providing feedback rapidly and effectively. The main benefit of this system is the minimization of paper copies and the provision of an audit trail on all documents and correspondence.

This *state-of-the-art* system has also been upgraded in the past year to keep up to date with the ever changing demands of technology; resulting in quicker response time on the server and more available data storage space for the increasing amount of public tenders, correspondence, reports, memorandums and invoices are stored on the system on a daily basis. The long anticipated second phase of the EDMS system- the committee management sub-function- has also finally become up and running to its full capacity and is used for submitting items, generating agendas and the filing of minutes. This makes it possible for all parties involved in drafting such correspondence to make comments, leave remarks or alterations and make suggestions before sending the final product for authorization and printing. To provide for more professionalism and compliancy with regulations, quotations have been requested for the installation of new furniture including a high-top counter for the Records office to ensure more confidentiality and minimize the risk of classified information going astray. Furthermore, strict measurements to control unauthorized access to vital information will be implemented.

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During the past year the records staff have ensured that all secretaries in the municipality as well as other users of Collaborator received full training on the use of the software and its various functionalities. Staff from Business Engineering devoted once a month an in-house training, attending to all concerns people have on the usage and sharing their knowledge. We have also granted a workshop to all secretaries in the council on how to allocate reference numbers and use the file plan effectively.

#### **Fleet Management**

The Zululand District Municipality has a total of 102 vehicles which are operating within our satellite offices, water plants, head office and the Prince Buthelezi Airport in Ulundi as well as Disaster Management. Fleet is also responsible for Mayors car, Deputy Mayor as well as the speaker of Zululand District Municipality. The municipal council approved the Fleet Management Policy which serves as a Management guide on the utilization of the council vehicles. On June 2016 the municipality disposed of seven (7) seven vehicles by means of a public auction and then.

There are 4 Pool Vehicles, 11 eleven (11) water tankers and (3) honey suckers. The Municipality has (11) eleven tractors- 7 are used for Co-ops, 1 for the Airport and 4 tractors stationed at Edumbe which serves Technical duties. There are 5 firefighting trailers located in each of 5 municipalities under Zululand District Municipality. There are 5 fire engines and 2 rescue vehicles as well as three service vehicles which are used to fight veld fires as well as fires in the residential areas.

#### **DISASTER MANAGEMENT DIVISION**

#### INTRODUCTION

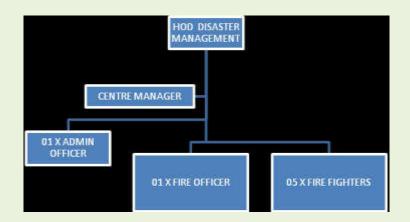
A disaster is a serious disruption of the functioning of a society, causing widespread human, material or environmental losses which exceed the ability of the affected society to cope using only its own resources. Disasters are often classified according to theirs peed of on set (sudden or slow), or according to their cause (natural or human-made). A practical example would be the devastating drought stricken the Zululand District Municipality.

The purpose of this report is to give an overview of the reported incidents that occurred in the Zululand District Municipality during the year 2015. This is during the period of 1<sup>st</sup> of April 2015 to 31<sup>st</sup> of March 2016.

#### BACKGROUND

# STATUS OF DISASTER MANAGEMENT CAPACITY/ CENTRE

#### Disaster Management Structure



The Disaster Management Centre operates 24/7.

# Administration

Mr Michael Shandu is the Head of Department Corporate Services ensures that the department provides support services and generally ensures that all administrative functions of the Municipality are properly coordinated.

**Disaster management** is a continuous and integrated multi-sectorial, multi-disciplinary process of planning and implementation of measures aimed at –

- preventing or reducing the risk of disasters;
- o mitigating the severity or consequences of disasters;
- emergency preparedness;
- o a rapid and effective response to disasters; and
- post-disaster recovery and rehabilitation

### Operation

Three Fire Fighters are working Day shift; one Fire Officer and two Fire Fighters are working night shift. During the weekends one shift remain standby and during the public holidays both teams remain on standby, one shift are standby during the day and the other shift are standby at night.

#### Status and Readiness to Deal with Disaster Including Financial Capabilities

Zululand District Municipality has got two utility trucks that were granted by the Traditional & Local Government that are used in case of any disaster related incidents. Zululand District has also bought the following equipment for the status of readiness: Mini Fire engine with 2000L Water tank and 400L Foam capacity, 2 x 500l Skid units, 2 x 600L Fire fighting trailers and Rapid Response vehicle with Jaws of Life. There is one Disaster Utility truck that is placed in the Northern part of Zululand to be utilized by the three Municipalities (uPhongolo, e'Dumbe and AbaQulusi).

#### **Awareness Campaigns**

Public awareness is essential in order to create an informed, alert and self-reliant community, capable of playing its full part in support of and in cooperation with district in all aspects of risk and vulnerability reduction. Public awareness campaigns aims to raise public consciousness about disaster

#### INCIDENTS

According to assessment, Households and the great number of people were affected. It is also being indicated major damages reported were structural collapse and roofs that were blown off by strong wind. Assessments been conducted; assistance was provided and relief material was distributed to the victims although it insufficient. Housing rehabilitation; repair and reconstruction is required.

Below is the summary of incidents that occurred.

MUNICIPALITY	HEAVY RAINS	FIRE	STRONG WINDS	LIGHTNINGS	STORMS	DROWNED	VEHICLE ACCIDENT	TOTAL NO OF INCIDENTS OCCURRED
Abaqulusi	47	72	117	6	11	0	0	253
Edumbe	3	14	80	8	0	0	0	105
uPhongolo	586	27	344	3	13	1	1	975
Nongoma	00	52	23	11	01	03	0	90
Ulundi	03	45	328	09	27	0	0	412
TOTAL	639	210	892	37	52	04	01	1835

# **PROVISION OF AIRPORT SERVICES**

# **Provision of Airport Services**

The District has managed to maintain the Airport Operations compliant to relevant SACAA Regulations including pertinent ICAO and SA-CATS requirements with airport infrastructure that is required to operate the facility in its designated category of operation, in a safe and legal manner as per ICAO Annex 14, SA CAA Regulations / CATS including Refuelling, Rescue and Fire Fighting Services as well as one leg of flight operations by Federal Air.

Passenger statistics for the previous year is 1115 Arrivals and 1171 Departures, and this includes passengers from all aircrafts that landed and departed from our airport during this year.

This facility constantly assists this part of the Province with efficient emergency services when patients need to be flown to institutions that are equipped for advanced medical interventions, as well as ferrying relief doctors to assist in nearby hospitals.

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Through the publicity obtained during previous Air Show, the Airport continues to receive school kids from surrounding schools who were orientated on the Airport Facilities, Operations and Carrier Opportunities.

The Tourism Hub building continues to house the ZDM Tourism offices, Car Rental offices, a training facility and a coffee/restaurant facility that hosts different small private functions.

# Challenges

The biggest challenge is limited Financial Resources to cater for required back -up systems and maintenance service plans needed to strengthen Airports' safety. SCHOOL KIDS FROM ONE OF THE NEIGHBOURING SCHOOLS BEING ORIENTATED ON AR & FF SERVICES



**COMPONENT B: 2.2.2 INTERGOVERNMENTAL RELATIONS** 

There are effective structures in place which support the co-operative governance and intergovernmental relations concept; however some challenges are being experienced in terms of the lack of knowledge of the aforementioned concepts from both provincial and local municipal structures.

# PROVINCIAL INTERGOVERNMENTAL STRUCTURE

- 1. Premiers Coordinating Forum
- 2. Provincial Disaster Management Advisory Forum
- 3. Provincial Aids Councils

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- 4. Inter Departmental Committee: HIV/Aids
- 5. Provincial IDP Coordinating Committee
- 6. Provincial Batho Pele Forum

# **RELATIONSHIPS WITH MUNICIPAL ENTITITIES**

The Zululand District Municipality has its own Development Agency with board members having been appointed.

# DISTRICT INTERGOVERNMENTAL STRUCTURES

# **Planning department**

- 1. District Planners Forum
- 2. IDP Representative Forum
- 3. Pongola Port dam Inter Municipal Forum
- 4. Zululand / Umkhanyakude cross boundary bulk water supply Technical Committee

# **Community Services**

Social Services

- 1. Human rights forum
- 2. Sports forum
- 3. Gender forum
- 4. Youth Council
- 5. Men's forum (about to be launched)
- 6. District Aids Council
- 7. Local Aids Council

# **LED Section**

- 1. Tourism forum
- 2. Agricultural forum
- 3. Business forum

#### **Corporate Services**

Corporate Services Technical Forum District Disaster Management Advisory Forum District Disaster Management Practitioners Forum Skills Development Facilitators Forum

# Finance

District CFO Forum: This forum comprises of all CFO's in the district.

# Office of the Mayor and Municipal Manager

District Coordinating Forum Mayors Coordinating Forum MM's Technical Committee

#### **BY-LAWS**

By-laws introduced during 2014 / 2016							
Newly developed	Revised	Public Participation Conducted Prior to Adoption of by- Laws (Yes / No)	Dates of Public Participation	By-Laws Gazetted (Yes / No)	Date of Publication		
None	None	None	None	None	None		
					T2.9.1		

## **2.3 HUMAN RESOURCE SERVICES**

Employees: Corporate Services								
	2014/2015	2015/2016	5					
	Employees No.	Posts No.	Employees No.	Vacancies (full time equivalents) No.	Vacancies ( as a % of total posts) %			
	75	64	64	0	0%			

Employees: Planning and Development									
	2014/2015 2015/2016								
	Employees No.	Posts No.	Employees No.	Vacancies (full time equivalents) No.	Vacancies ( as a % of total posts) %				
	21	21	18	3	0.14%				

Employees: Technical							
	2014/2015	2015/2016	5				
	Employees No.	Posts No.	Employees No.	Vacancies (full time equivalents) No.	Vacancies ( as a % of total posts) %		

		346	368	363	5	0.013%	
Employees: Finance							
		2014/2015	2015/2016	5			
		Employees No.	loyees Posts Employees Vacancies (fu No. No. No. No.			Vacancies ( as a % of total posts) %	
		52	53	53	0	0%	

Employees: Community Services							
	2014/2015	2015/2016	5				
	Employees No.	Posts No.	Employees No.	Vacancies (full time equivalents) No.	Vacancies ( as a % of total posts) %		

## SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

KPA NO	National General Key Performance Areas	FA No	Focus Area	Key Objective	Strategy	Action
3.1	Institutional Transformation	3.1.1	Employment Equity	To transform the organisation	To assess & review race, gender & disability imbalance	Regularly review & implement Employment Equity Plan

Details	Total appointment as of beginning of financial year.	Terminations during the Financial year.	Turn - over Rate
2015/2016	802	94	11%
2014/2015	809	43	5%
2013/2014	791	70	9%
2012/2013	792	55	7%
2011/2012	732	93	13%
2010/2011	626	168	27%
2009/2010	684	84	12%

Vacancy	rate				
		Skills development & Capacity Building	To develop capacity in the organisation for effective service delivery	review skills development	Annual review and implement Skills Development Plan
				To provide social support to employees	Regularly review and implement Employee Assistance Policy

Designation		Approved Posts No.		*Variances (Total time that vacancies exist using fulltime equivalents) No.	*Variances(as a proportion of total posts in each category) %	
Municipal M	anager	1		0	0%	
CFO		1		0	0%	
Other S57 M Posts)	Other S57 Managers (excluding Finance Posts)			0	0%	
Other S57 M	Other S57 Managers (Finance posts)			0	0	
Fire Fighters	Fire Fighters			01	10%	
Senior man (excluding Fi	agement: Level 13 – 15 nance posts)	13		1	8%	
Senior man (Finance pos	agement : Level 13 – 15 ts)	2		0	0	
Details	Total appointment as of beg of financial year.	inning	Terminat Financial	tions during the year.	Turn - over Rate	
2014/2015	809		43		5%	
2013/2014	791	70			9%	
2012/2013	2012/2013 792				7%	
2011/2012	2011/2012 732				13%	
2010/2011	626		168		27%	

### 2.4 INTRODUCTION TO MUNICIPAL WORKFORCE

E MUNICIPALITY HAS HUMAN RESOURCE POLICIES AND PROCEDURES IN PLACE WHICH ENSURE FAIR, EFFICIENT, EFFECTIVE AND TRANSPARENT PERSONNEL ADMINISTRATION, SUCH POLICIES AND PROCEDURES ARE REVIEWED ANNUALLY TO ENSURE RELEVANCE TO THE LEGISLATION.

#### INJURIES, SICKNESS AND SUSPENSION

Type of injury	Injury leave taken - days	Employees using injury leave	Proportion employees using sick leave	Average injury leave per employee	Total estimated cost
Required basic medical attention					
only	0	0	0	0	0
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
TOTAL	0	0	0	0	0
					T4.3.1

Designation s	Sick leave days with Dr's note	Sick leave days without Dr's note	Total sick days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employee s in post No	Average sick leave per Employees Days
Municipal Manager and Section 57 HOD's	22	4	26	9%	4	6	3.6
Other senior officials and managers	48	18	66	25%	9	16	3.5

Professiona Is	58	25	83	27%	19	28	3
Technicians and associate professiona ls	115	32	147	23%	27	129	5.7
Community service workers	34	16	50	10.81%	11	13	4.9
Clerical and Admin workers	42	11	53	17.50%	22	83	2.2
Machine operators and drivers	163	21	188	10.14%	21	44	6.8
Elementary occupation s	245	74	319	21.08%	106	464	2.7
TOTAL	683	169	852	19.8%	219	783	27.9

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reason why not Finalized	Date Finalized
No incidents				

# **Disciplinary Action Taken on Cases of Financial Misconduct**

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalized
None during this p	eriod		

# PERFOMANCE REWARDS

Performance Rewards by Gender										
Designations	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2011/2012	Proportion of beneficiaries within group					
Lower skilled	M-F	n/a	n/a	n/a	n/a					
Skilled	M-F	n/a	n/a	n/a	n/a					
Highly Skilled production	M-F	n/a	n/a	n/a	n/a					
Highly skilled supervision	M-F	n/a	n/a	n/a	n/a					
Senior management	M-F	n/a	n/a	n/a	n/a					
MM and S57	М	4	4							

Ι				T4.4.1.1	

CAPACITATING THE MUNICIPAL WORKFORCE

#### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The municipality comprises of a very diverse workforce with various occupations, this poses challenges in the sourcing of accredited training service providers. Adverts are being placed in the media, website and notice board for accredited service providers to provide quotations.

					SKI	LLS MATRIX (	persons in	seats)							
		Employees				Number of s	killed empl	oyees requir	ed and actua	l as at 30 A	pril 2015	i			
Management	Gender	in posts as at 30 April 2016	Leanerships/Internships			Skil	Skills Programmes			Other forms of training i.e. Bursaries, Conferences, Short Courses, etc.			Total		
level		No.	Planne d 30 April 2015	Actual 30 April 2016	Target	Planned 30 April 2015	Actual 30 April 2016	Target	Planned 30 April 2015	Actual 30 April 2016	Targ et	Planne d 30 April 2015	Actual 30 April 2016	Target	
Councillors/	Female	14		10	10					4	4	0	14	14	
legislators	Male	21		12	12					9	9	0	21	21	
Municipal Manager and	Female	1										0	0	0	
Section 57 HOD's	Male	5								5	5	0	5	5	
Other senior officals and	Female	6								1	1	0	1	1	
managers	Male	10		1	1					2	2	0	3	3	
Professionals	Female	10				2		-2	1	2	1	3	2	-1	
	Male	13	1	1	0	1		-1		4	4	2	5	3	
Technicians and	Female	37	14	12	-2	5	1	-4		22	22	19	35	16	
associate professionals	Male	99	32	15	-17	13	9	-4	9	46	37	54	70	16	
Community	Female	3				1		-1				1	0	-1	
service workers	Male	7				1		-1		1	1	1	1	0	
Clerical and	Female	51		1	1	6		-6	5	12	7	11	13	2	

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Admin workers	Male	35		2	2	3		-3	4	13	9	7	15	8
Service and	Female	5				1		-1	1	1		2	1	-1
Sales workers	Male	19								2	2	0	2	2
Machine	Female	2										0	0	0
operators and drivers	Male	42				10	4	-6	1	1		11	5	-6
Elementary	Female	72	3	1	-2	13	17	4		9	9	16	27	11
occupations	Male	422	3	3	0	60	30	-30		24	24	63	57	-6
Sub total	Female	201	17	24	7	28	18	-10	7	51	44	52	93	41
	Male	673	36	34	-2	88	43	-45	14	107	93	138	184	46
TOTAL		874	53	58	5	116	61	-55	21	158	137	190	277	87

	FINANCIA	L COMPETE	NCY DEVELOPME	NT : PROGRES	S REPORT*	
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employe d by municip al entities (Regulati on 14(4)(a) and (c))	Consolidated : Total of A and B	Consolidate d: Competenc y assessment s completed for A and B (Regulation 14(4) (b) and (d)	Consolidated : Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1		1	1	1	1
Chief financial officer	1		1	1	1	1
Senior managers	20		20	17	4	17
Any other financial officials	50		50	27	-	27
Supply chain management officials						
Heads of supply chain management units						
Supply chain management senior managers	1		1	1		1

2 – 3 - 21 –	Managers awaiting res Finance employees aw Councilor's awaiting re	aiting results				
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidate d : Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4) (b) and (d)	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
Accounting officer	1		1	1	1	
Chief financial officer	1		1	1	1	
Senior managers	4		4	2	4	
Any other financial officials	37		37	11		In process still o finalisation of the balance of learners
Supply chain management officials						

Heads of s chain mar units	agement								
Supply cha	ain								
				Skills Dev	elopment Expe	enditure			
Manage	Gender	Employe		Original Budge	et and Actual E	xpenditure on skil	ls development 20	14/2015	
			Municipality	CAPACITATING THE MUN	IICIPAL WORKFOF	RCE 49			

ment level		es as at the beginnin g of the financial year	Learne	erships	Skills prog	grammes	Other forms of training i.e Bursaries, Short Courses, Conferences		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
Councilo	Female	14		R 652 360.00				R 3 852.00	R -	R 656 212.00
rs	Male	21		R 782 832.00				R 15 330.00	R -	R 798 162.00
MM and	Female	1							R -	R -
S57 & HOD's	Male	5						R 70 852.00	R -	R 70 852.00
Other Senior	Female	6						R 765.00	R -	R 765.00
Officials and Manager s	Male	10		R 65 236.00				R 9165.00	R -	R 74 401.00
Professi	Female	10			R 17 000.00		R 8 000.00	R 3 800.00	R 25 000.00	R 3 800.00
onals	Male	13	R70 000.00	R 65 236.00	R 8 500.00			R 36 265.00	R 78 500.00	R 101 501.00
Technici ans and	Female	37	R198 800.00	R210 000.00	R 48 809.00	R 3 385.00		R 4 142.00	R 247 609.00	R 217 527.00

associat e professi onals	Male	99	R512 942.00	R 246 000.00	R 103 912.00	R 66 756.00	R 70 740.00	R 9 647.00	R 687 594.00	R 322 403.00
Commu nity	Female	3			R 3 200.00				R 3 200.00	R -
Service workers	Male	7			R 4 200.00			R 13 485.00	R 4 200.00	R 13 485.00
Charles	Female	51		R12 000.00	R 22 200.00		R 29 740.00	R 42 457.00	R 51 940.00	R 54 457.00
Clerks	Male	35		R130 472.00	R 18 400.00		R 29 040.00	R 38 290.00	R 47 440.00	R 168 762.00
Service and	Female	5			R 8 095.00		R 2 145.00	R 3 500.00	R 10 240.00	R 3 500.00
Sales Workers	Male	19						R 3 560.00	R -	R 3 560.00
Plant and	Female	2							R -	R -
machine operator s and assembl ers	Male	42			R 69 706.00	R 30 261.00		R 765.00	R 69 706.00	R 31 026.00
Element ary	Female	72	R 21 800.00	R12 000.00	R101 654.00	R 156 116.00		R 540.00	R 123 454.00	R 168 656.00
occupati ons	Male	422	R 37 800.00	R36 000.00	R 465 900.00	R 234 493.00		R 2 850.00	R 503 700.00	R 273 343.00
Sub total	Female	201	R 220 600.00	R 886 360.00	R 200 958.00	R 159	R 39	R 59	R 461	R 1104

Male         673         742.00         776.00         R 670 618.00         510.00         780.00         209.00         140.00         495.00											
Male       673       742.00       776.00       R 670 618.00       510.00       780.00       209.00       140.00       495.00         Total       874       R 841       R 2 212       R 871       R 491       R 139       R 259       R 1852       R 2 962							501.00	885.00	056.00	443.00	917.00
Total 874 R 841 R 2 212 R 871 R 491 R 139 R 259 R 1 852 R 2 962		Male	673			R 670 618.00					R 1857 495.00
	Total		874	R 841	R 2 212		R 491	R 139	R 259	R 1852	R 2962
				342.00	136.00	576.00	011.00	665.00	265.00	583.00	412.00
Municipality   CAPACITATING THE MUNICIPAL WORKFORCE 52											
				Municipality   CA	PACITATING THE M	IUNICIPAL WORKFC	DRCE 52				

Bereficiaries     Gender     Total       Lower skilled     M-F     n/a       Skilled production     M-F     n/a       Highty skilled supervision     M-F     n/a       Senior management     M-F     n/a       MM-F     n/a     n/a       Senior management     M-F     n/a       MM-F     n/a     n/a       MM-F     n/a     n/a       Senior management     M-F     n/a       MM-F     n/a     n/a	upgraded						
Skilled M-F n/a   Highly Skilled production M-F n/a   Highly skilled supervision M-F n/a   Senior management M-F n/a   MM and S57 M-F n/a   HR Policies and Plans   HR volses and plans   Beriewed   Date adopted by council adopted by c	Beneficiaries	Gender		Total			
Highly Skilled production       M-F       n/a         Highly skilled supervision       M-F       n/a         Senior management       M-F       n/a         MM and S57       M-F       n/a         HR Policies and Plans         Date adopted by council or comment on failure to adopt	Lower skilled	M-F			n/a		
Highly skilled supervision     M-F     n/a       Senior management     M-F     n/a       MM and S57     M-F     n/a       IM-F       IM-F       IM-F       Image ment       MM-F     n/a       Image ment       M-F     n/a       Image ment       Image ment    <	Skilled	M-F			n/a		
Senior management     M-F     n/a       MM and S57     M-F     n/a       HR Policies and Plans       Date adopted by council or comment on failure to adopt	Highly Skilled production	M-F		n/a			
MM and S57     M-F     n/a       Image: Image	Highly skilled supervision	M-F		n/a			
HR Policies and Plans         Name of Policy       Completed       Date adopted by council or comment on failure to adopt	Senior management	M-F			n/a		
Name of Policy     Completed     Date adopted by council or comment on failure to adopt	MM and S57	M-F	M-F		n/a		
Reviewed or comment on failure to adopt	HRI	Policies and F	Plans				
1 Affirmative Action Yes Yes 28 May 2015	Name of Policy	Completed	Reviewed		comment on failure to		
	1 Affirmative Action	Yes	Yes	28	May 2015		

Number of Employees whose salaries were increased due to their positions being upgraded

	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
1	Affirmative Action	Yes	Yes	28 May 2015
2	Attraction and Retention	Yes	Yes	28 May 2015
3	Code of Conduct for employees	Yes	Yes	28 May 2015
4	Delegations, Authorisation & Responsibility	Yes	Yes	28 May 2015
5	Disciplinary Code and Procedures	Yes	Yes	28 May 2015
6	Essential Services	Yes	Yes	28 May 2015
7	Employee Assistance / Wellness	Yes	Yes	28 May 2015
8	Employment Equity	Yes	Yes	28 May 2015
9	Exit Management	Yes	Yes	28 May 2015
10	Grievance Procedures	Yes	Yes	28 May 2015
11	HIV/Aids	Yes	Yes	28 May 2015

12	Human Resource and Development	Yes	Yes	28 May 2015
13	Information Technology	Yes	Yes	26 August 2014
14	Job Evaluation	No	No	Guided by SALGA
15	Leave	Yes	Yes	28 May 2015
16	Occupational Health and Safety	Yes	Yes	28 May 2015
17	Official Housing	n/a	Yes	28 May 2015
18	Official Journeys	Yes	Yes	28 May 2015
19	Official transport to attend Funerals	Yes	Yes	28 May 2015
20	Official Working Hours and Overtime	Yes	Yes	28 May 2015
21	Organisational Rights	Yes	Yes	28 May 2015
22	Payroll Deductions	Yes	Yes	28 May 2015
23	Performance Management and Development	Yes	Yes	28 May 2015
24	Recruitment, Selection and Appointments	Yes	Yes	28 May 2015
25	Remuneration Scales and Allowances	Yes	Yes	28 May 2015
26	Resettlement	n/a	Yes	28 May 2015
27	Sexual Harassment	Yes	Yes	28 May 2015
28	Skills Development	Yes	Yes	28 May 2015
29	Smoking	no	Yes	28 May 2015
30	Special Skills	n/a	No	28 May 2015
31	Work Organisation	n/a	No	n/a
32	Uniforms and Protective Clothing	Yes	Yes	28 May 2015
33	Other:			

### **COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### 2.5 PUBLIC MEETINGS IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	No
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

### COMPONENT D: CORPORATE GOVERNANCE

#### **2.6 RISK MANAGEMENT**

The risk assessment exercise for the 2015/2016 was done with the assistance of Provincial Treasury. The ensuing risks identified were then tabled to the audit committee and the Internal Audit procedures were based on the identified risks.

## 2.7 ANTI-CORRUPTION AND FRAUD

The Fraud prevention strategy and policy is in place. In addition, a fraud risk exercise was performed and the report recommendations will be implemented in the 2015/2016 financial year.

## **2.8 WEBSITES**

Municipal Website: Content and Currency of Material					
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date			
Current annual and adjustments budgets and all budget-related		06			
documents	Yes	June2015			
		06June			
All current budget-related policies	Yes	2015			
		30 March			
The previous annual report (Year 1415)	Yes	2015			
		31 Jan			
The annual report (Year 2015/16) published/to be published	Yes	2017			
All current performance agreements required in terms of section		01 July			
57(1)(b) of the Municipal Systems Act (Year 0) and resulting		2015			
scorecards	Yes				
		01 July			
All service delivery agreements (Year 0)	Yes	2015			
All long-term borrowing contracts (Year 0)	No	No			
All supply chain management contracts above a prescribed value (give		Once			
value) for Year 0	Yes	appointed			
An information statement containing a list of assets over a prescribed					
value that have been disposed of in terms of section 14 (2) or (4)					
during Year 1	No	No			
Contracts agreed in Year 0 to which subsection (1) of section 33 apply,					
subject to subsection (3) of that section	No	No			
Public-private partnership agreements referred to in section 120					
made in Year 0	No	No			
All quarterly reports tabled in the council in terms of section 52 (d)		Once			
during Year O	yes	tabled			

### CHAPTER 3 - SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)



## COMPONENT A: BASIC SERVICES

#### **3.1 INTRODUCTION TO BASIC SERVICES**

- 4 Zululand District Municipality has been hurdled by severe drought during the previous fiscal year, but remains at the helm amongst those that rapidly develops and service delivery proficient municipalities in KZN infrastructural, rather gradually, with current estimation of 80% of the district being rural and under developed.
- 5 Focus is aimed at Water and Sanitation Services which are provided through the implementation of Regional Water Supply Schemes Programme (RWSS), Rudimentary Water Supply Schemes (Interim) and Sanitation (VIP Toilet) Programme.
- 6 The RWSS programme provides the services to consumers by installing the yard taps as a long term plan for the District whereas the Interim Programme is deemed to comprise a combination of communal standpipes within 800m walking distances to fetch water and provision is also made for Sanitation services in form of a VIP Toilet Programme.
- 7 Resemblance is drawn with RWSS but the principle of interim services initiative acknowledges a fact that there are large numbers of communal settlements that would have had to wait years to be addressed with basic services, but given their location in relations to socio and economic opportunities, Zululand District Municipality continues to provide them with interim services so that they are immediately addressed, and they should by no means be interpreted as a substitute for the Regional Development Plan for the District.

8 A table below reflects a notable comparative reduction in the percentage backlogs reduction, estimated at 2,5% in water and 2-3% in sanitation per annum.

Basic Services	Existing Backlog (Households) as at 30 June 2013	Existing Backlog (Households) as at 30 June 2014
Water	58559	32566
Sanitation	56757	36150

Out of a total of 39 Water and Waste Water Treatment Works (W/WWTW), Ulundi WTW is the largest with a design capacity of 25M&/Day. This treatment plant has been compromised by repeated power outages from ESKOM on an average of two whole day(s) per week, and as this is still continuing, it has led to severely intermittent water supply challenges, massively. In this regard, Zululand District Municipality has made yet another remarkable intervention by acquiring a fuel operated stand by engine that will cover a whole Water Works during these ESKOM outages. This project has been completed but not fully commissioned.

Further to that, Zululand District Municipality implements its own internally funded CAPEX Projects Programme. As alluded to previously, a large number of settlements within ZDM are located to extremely out skirted rural areas, which makes access to basic education difficult and to a larger extent impossible, due to lack of basic and pre-educational and facilities to these areas.

It is for this reason that ZDM identified a need to build crèches and some classes extensions where necessary, implemented under this programme which is monitored through the Municipality's CAPEX and WATER PROVISION PORTFOLIO COMMITTEE that receives quarterly feedback on progress of projects and its ultimate aim is to achieve 100% capital spend and to assess if any carry overs and budget relocations. This has proved to be an effective strategy to improve capital budget spend and thereby meeting the Government on its educational goals.

#### WATER PROVISION

In this Annual Report, ZDM would like to share its vision and goal to become top three Municipalities in the Blue and Green Drop Assessments, come the near future.

These assessments bring about an opportunity for all our basic service delivery initiatives to be bench marked and examined towards achieving a common goal that is proficient, efficient and effective delivery of basic services. These assessments also involve audits for the management of Wastewater and the scope of work entailed in the treatment of waste waters before discharging back to our rivers.

Zululand District Municipality received an Award during the 13/14 Financial Year named SALGA Water Services Operational Performance Award.

We are also impelled by this achievement goal that we are determined to effect improvements on other operational areas such as Non-Revenue and Unaccounted for Water.

#### WATER LOSS PROGRAMME

Zululand District Municipality implemented an UAW Programme during the 2012/2013 Financial year which has achieved some stable results which were stablised by dealing directly with a large scope of physical ground work and equipment required to collect data for analyis purposes, and which is currently being undertaken.

The following on-going interventions are currently being instituted to reach a target of 70% water losses by the 2015/2016 Financial Year:-

- Introduction of lowered pressurestandards from an average of 600Kpa to 300Kpa subsequent to relevant water balancing initiatives currently being undertaken.
- Replace domestic and non-domestic meters in line with Municipality's Asset Management Plan.
- Ensure every bulk water consumers and business consumers are metered and meters read and billed monthly.

Below, is a table illustrating implementation of the above and to reaffirm that the above will assist Zululand District Municipality fulfill its mandate efficiently in order to provide utmostly acceptable services to the people that we serve.

YEAR	WATER PRODUCED (M&)	ESTIMATED UAW VOL (%)
2013/2014	15 630	11%
2014/2015	15 614	18%
2015/2016	6742	7%

## 3.2. WATER PROVISION

Water Service Delivery Levels						
House	eholds					
	12/13	13/14	14/15	15/16		
Description	Actual	Actual	Actual	Actual		
	No.	No.	No.	No.		
<u>Water:</u> (above min level)						
Piped water inside dwelling	655	846	-			
Piped water inside yard (but not in dwelling)	456	486	3 502	3502		
Using public tap (within 200m from dwelling)	465	546	-			
Other water supply (within 200m)						
Minimum Service Level and Above sub-total	1 576	1 879	4	3502		
Minimum Service Level and Above Percentage	76%	79%	1%			
<u>Water:</u> (below min level)						
Using public tap (more than 200m from dwelling)						
Other water supply (more than 200m from dwelling	486	486	486	486		
No water supply						
Below Minimum Service Level sub-total	486	486	486	0		
Below Minimum Service Level Percentage	24%	21%	99%	12%		
Total number of households*	2 062	2 365	490	3988		
* - To include informal settlements				T 3.1.3		

		EMPLOYEE	S: WATER SERVICES		
	2014/2015		2015,	/2016	
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %
HOD	1	1	1	0	0%
DD	4	4	4	0	0%
то	8	11	11	0	0%
Tech	2	4	4	0	0%
Princ Supt	2	2	2	0	0%
Art Supt	2	2	2	0	0%
Supt	11	13	13	0	0%
Team Leaders	6	4	4	0	0%
Plant O	96	114	114	0	0%
Art Pl	14	6	6	0	0%
Handym	7	5	5	0	0%
W/Insp	1	1	1	0	0%
GA	73	46	46	0	0%
Driver	12	6	6	0	0%
Clerical	3	2	2	0	0%
M/Officers	213	226	226	0	0%
WT FP Supervsr	10	10	10	0	0%
Total	465	457	457		

Operating Expenditure Year 2015/2016 Water Services R'000							
2013/2014       2015/2016         Description       Actual       Actual       From       Total Project         Expenditure       Budget       Budget       Expenditure       Budget       Budget							
Total Operational Revenue	0	0	0	0	0%		
Expenditure:							
Employees	40 243	58 718		60 451	0%	60 451	
Repairs and Maintenance	33 022	47 040	6 900	43 368	15%	43 368	
General Expenses	139 955	187 926	500	223 215	0%	223 215	
Other	181 098						
Total Operational Expenditure	394 318	293 684	7 400	327 035	3%	327 035	
Net Operational Expenditure	394 318	293 684		327 035	0%	327 035	

Capital Expenditure Year 2015/2016 Water Services R'000								
Capital Projects	2014/2015 Actual Expenditure	2015/2016       Budget     Adjustment       Adjustment     Actual       From     Total Proje       Budget     Expenditure       Budget     Budget						
Total All	241622	241622	0	221359	0%	221359		
Usuthu RWSS	43221	43221	0	55092	0%	55092		
Nkonjeni RWSS Mandlakazi RWSS	30618 11654	30618 11654	0	12667 7898	0% 0%	12667 7898		
Simdlangentsha Central RWSS	5293	5293	0	10198	0%	10198		
Simdlangentsha East RWSS	15718	15718	0	18802	0%	18802		
Simdlangentsha West RWSS Gumbi RWSS	3786 2028	3786 2028	0	11399 1957	0% 0%	11399 1957		
Coronation RWSS	0	0	0	827	0%	827		
Khambi RWSS	3357	3357	0	2023	0%	2023		
Rudimentary Water	14905	14905	0	29503	0%	29503		
Hlahlindlela/Emondlo	35802	35802	0	6257	0%	6257		

### **3.3 SANITATION SERVICES**

Sanitation Service Delivery Levels							
			;	*Households			
Description	10/11	11/12	12/13	14/15			
Description	Outcome	Outcome	Outcome	Actual			
	No.	No.	No.	No.			
Sanitation/sewerage: (above minimum level)							
Flush toilet (connected to sewerage)	942	600	720	930			
Flush toilet (with septic tank)	712	952	502	535			
Chemical toilet	535	535	511	601			
Pit toilet (ventilated)	124	135	103	8479			
Other toilet provisions (above min.service level)	13	13	15	11			
Minimum Service Level and Above sub-total	2 325	2 236	1 851	2 086			
Minimum Service Level and Above Percentage	81.0%	80.4%	77.2%	79.1%			
Sanitation/sewerage: (below minimum level)							
Bucket toilet	-	-	-	-			
Other toilet provisions (below min.service level)	535	535	535	535			
No toilet provisions	10	11	12	15			
Below Minimum Service Level sub-total	545	546	548	551			
Below Minimum Service Level Percentage	19.0%	19.6%	22.8%	20.9%			
Total households	2 870	2 782	2 398	2 637			
*Total number of households including informal settlements				Т 3.2.3			

Employe	es: Sani	tiation	Services
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	2014/2015	2015/2016					
Job Level	Employees No.	Posts No.	Employees	Vacancies (Fulltime equivalent) No.	Vacancies (as a % of total posts)		
Principal Superintendent	1	1	1	0	0		
Superintendent	2	2	2	0	0		
Plant Operator	16	16	16	0	0		
Assistant Plant Operator	7	7	7	0	0		
General Assistants	12	12	12	0	0		
Net Operational Expenditure	38	38	38	0	0%		

Operating Expenditure Year 2015/2016 Sanitation Services R'000						
Description	2014/2015 Actual Expenditure	2015/2016       Budget     Adjustment     Actual     From     Total Proje       Budget     Expenditure     Original     Value				Total Project Value
Total Operational Revenue	0	0	0	0	0%	
Expenditure:					İ	
Employees	40 243	58 718		60 451	0%	60 451
Repairs and Maintenance	33 022	47 040	6 900	43 368	15%	43 368
General Expenses	139 955	187 926	500	223 215	0%	223 215
Other	181 098					
Total Operational Expenditure	394 318	293 684	7 400	327 035	3%	327 035
Net Operational Expenditure	394 318	293 684		327 035	0%	327 035

	2013/2014	2014/2015					
Job Level	Employees No.	Posts No.	Employees	Vacancies (Fulltime equivalent) No.	Vacancies (as a % of total posts)		
Principal Superintendent	0	0	0	0	0%		
Superintendent	1	1	1	0	0%		
Snr Process Controllers	1	1	1	0	0%		
Process Controllers	6	6	6	0	0%		
Assistant Plant Operator	0	0	0	0	0%		
General Assistants	18	18	18	0	0%		
Net Operational Expenditure	26	26	26	0	0%		

Operating Expenditure Year 2015/2016 Sanitation Services R'000						
2014/2015 2015/2016						
Description	Actual Expenditure	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Total Operational Revenue	0	0	0	0	0%	
Expenditure:						
Employees	40 243	58 718		60 451	0%	60 451
Repairs and Maintenance	33 022	47 040	6 900	43 368	15%	43 368
General Expenses	139 955	187 926	500	223 215	0%	223 215
Other	181 098					
Total Operational Expenditure	394 318	293 684	7 400	327 035	3%	327 035
Net Operational Expenditure	394 318	293 684		327 035	0%	327 035

### 3.4 FREE BASIC SERVICES AND INDIGENT SUPPORT

Approximately 80% of citizens in Zululand are estimated to be indigent. The culture of nonpayment which is being tackled at a political level both have negative effects on the sustainable provision of basic services. Funding is mainly in the form of grants such as MIG and DWA.

The fact that the municipality has a limited rates base means that sources of income are limited. A Revenue Enhancement Strategy has been budgeted for in the 2015/16 Financial Year which will analyse the financial position of the municipality and suggest options for alternative means of generating income for the municipality



Mechanical and electrical installation at High lift Pumpstation at Usuthu



# Extraction works tunnel entrance at Usuthuwtw



## **COMPONENT B: ROAD TRANSPORT**

This component includes: roads; transport; and waste water (storm water drainage)

### 3.5 ROADS

### **Road Infrastructure**

The NDOT, as part of the S'Hambe Sonke Programme, has provided grant funding for the implementation of Road Asset Management Systems (RAMS) as set out in the framework for the Rural Road Asset Management Grant (RRAM), Division of Revenue Act (DORA). The strategic goal of the RRAM Grant is to ensure efficient and effective investment in rural roads through the development of Road Asset Management Systems (RAMS) and the collection of associated road and bridge inventory data condition assessments and traffic information. Improved data on rural roads will guide infrastructure investment, improve accessibility to and mobility of rural communities.

The graduates will be employed continuously, and will be mentored under Registered Professional Engineers, working under a Commitment of Undertaking to ECSA to ensure that their experience during the three year period counts towards their professional registration (*Pr Techni*). Mentoring will be supported by attendance of accredited training courses to ensure that their Continued Professional Development (CPD) points are achieved

There is an estimated 3000 kilometres of road within the district. Further data on the accurate length and condition of roads will be captured within the process of developing a rural roads asset management system.

#### COMPONENT C: PLANNING AND DEVELOPMENT

#### PLANNING AND DEVELOPMENT



Stefan Landman: Head of Department: Planning

#### PLANNING AND DEVELOPMENT

In 2015-12016 financial year an allocation of R 221 359 000 was received from MIG and was successfully spent 100% by the end of June 2016. Further R 185 million was received from DWA (RBIG) as a conditional grant. R 79 006 000 was received from MWIG. These grants were spent successfully.

The largest percentage of MIG funds was spent as follows: 73% was spent on water and 27% was spent on sanitation. The large amount of money is currently spent in the development of bulk infrastructure and as the bulk line passes communities, reticulation networks are installed. The bulk infrastructure comprises of the terminal reservoirs, water treatment works, rising mains as well as secondary reservoirs whereas reticulation comprises of distribution main and households meter installations.

DWA funding only focuses on the bulk infrastructure

## 3.7.1 Water Service Authority

## Consultation and Participation

The table below shows community engagement of various stakeholders on the IDP/Budget/Performance and LED process:

Local Municipality	Date
oPhongolo	26/10/2015
eDumbe	27/10/2015
Vryheid	28/10/2015
Nongoma	02/11/2015
uLundi	01/11/2015

The section consists of 3 civil engineers and secretary in the planning and management of the Water Service Authority function.

## The profile of the staff in terms of cost to employer is as follows:

Personnel	Total
Professional	3
Field (Supervisors/Foreman)	1
Office (Clerical/Administration)	1

The responsibility of a Water Services Authority (WSA) is to ensure that water is adequately provided to every single individual households falling within its area of jurisdiction. The provision of water to consumers should be in accordance with the minimum quality and quantity standards set by The Department of Water Affairs (DWA). The Water provision should be sustainable, affordable and efficient.

Provision of adequate water supply across the entire district is very crucial. The District relies on both surface and ground water in achieving water delivery goals. Unfortunately drought has impacted negatively in water provision and four out of five towns in ZDM are in dire need of water provision. Both Black and White Mfolozi have ran dry and all water supply schemes abstracting water from the two water sources mentioned lack production and water service provision has been impaired as a result.

R37, 5m drought grant from the Department of Water and Sanitation was allocated to ZDM and was split among all the Local Municipalities to benefit. Spring protections, boreholes drilling as well as the refurbishment of the existing schemes were planned to be the main deliverables under the drought grant. Much has been achieved even though the crisis suggests that more funding is required to overcome the water shortages. A second Business Plan requesting additional funding has since been submitted to the Department of Water and Sanitation and is awaiting approval.

Services Authority has the following Duties:

Duty to provide access to water services

This duty is subject to-

The availability of resources;

The need for an equitable allocation of resources to all consumers and potential consumers within the authority's area of jurisdiction;

The need to regulate access to water services in an equitable way, with any prescribed norms and standards for tariffs for water services;

The duty of consumers to pay reasonable charges, which must be in accordance with any prescribed norms and standards for tariffs for water services;

The duty to conserve water resources;

The nature, topography, zoning and situation of the land in question; and

The right of relevant water services authority to limit or discontinue the provision of water services if there is failure to comply with reasonable conditions set for provision of such service.

In ensuring access to water services, a water services authority must take into account among other factors-

Alternative ways of providing access to water services;

The need for regional efficiency;

The need to achieve the benefit of scale;

The need for low costs;

The requirements of equity and

The availability of resources from neighboring water services authorities.

The above is in accordance with the Water Services Act No. 108 of 1997.

Duty to prepare draft Water Services Development Plan (WSDP)

#### 3.7.2 Water Services Development Plan (WSDP)

Every Water Services Authority must, within one year after the commencement of this Act-

as part of the process of preparing any integrated development plan in terms of Local Government Transition Act, 1993 (Act No. 209 of 1993); or separately, if no process contemplated in paragraph a) has been initiated, prepare a draft water service development plan for its area of jurisdiction and, summary of a plan

The Content of draft Water Services Development Plan (WSDP)

The annual WSDP contains the following details: the physical attributes of the area to which it applies; the size and the distribution of population within the area; the time frame for the plan, including the implementation programme for the following five years;

The existing water within the area of jurisdiction;

The total number of backlogs both on water and sanitation within the area expressed as a number of households figures as well as a percentage compared to the entire area where services are provided;

The operations; maintenance; repair and replacement of existing an d future infrastructure

The WSDP must display the number and location of persons to whom water services cannot be provided within the next five years setting out-the reason thereof;

The time frame within which it may be reasonably be expected that a basic sanitation will be provided to those people, and of existing and proposed water conservation, recycling and environmental protection measures.

# 3.7.3 Water Service Development Plan Process

The Zululand District Municipality WSDP for 2015/2016 was completed and approved by council on 28 May 2016.

The following key issues were addressed by the 2015/2016 WSDP:Eradication of water backlogs through Regional schemes rollout and Rudimentary programme.

Eradication of sanitation backlogs Water supply to schools and clinics Refurbishment requirements of water and sanitation infrastructure

## There are three types of water service delivery

Regional Water Supply schemes Rudimentary Water Supply scheme Stand alone scheme

WATER	TOTAL HOUSEHOLDS	BACKLOGS	% BACKLOGS	% OF TOTAL BACKLOGS
AbaQulusi LM	40 302	8 134	20.18%	17.86%
eDumbe LM	16 880	3 664	21.71%	8.04%
Nongoma LM	38 171	18 719	49.04%	41.10%
Ulundi LM	37 365	8 829	23.63%	19.36%
uPhongolo LM	25 136	6 199	24.66%	13.61%
Total	157 854	45 545	28.85%	100.00%

	TOTAL			% OF TOTAL
SANITATION	HOUSEHOLDS	BACKLOGS	% BACKLOGS	BACKLOGS
AbaQulusi LM	40 302	8 838	21.93%	28.44%
eDumbe LM	16 880	0	0.00%	0.00%
Nongoma LM	38 171	8 547	22.39%	27.51%
Ulundi LM	37 365	8 311	22.24%	26.75%
uPhongolo LM	25 136	5 375	21.38%	17.30%
Total	157 854	31 071	19.68%	100.00%

# Water Services Development Plan (WSDP)

The WSDP is a multi-year sectoral plan addressing water and sanitation backlogs and infrastructure. Backlogs below are extracted from the 2015/2016 WSDP;

DWA funding only focuses on the bulk infrastructure 2015/16.

Regional Scheme	N	IIG 2015/2016	F	RBIG 2015/16	MWIG 2015/16
RWSS					
Nkonjeni RWSS	R	18 720 998			
Usuthu RWSS	R	66 547 299	R	138 000 000	
Mandlakhazi RWSS	R	19 744 803	R	57 000 000	
Simdl East	R	4 095 218			
Simdl Central	R	4 387 734			
Simdl West	R	9 945 530			
Khambi	R	1 755 094			

Coronation (Enyathi)	R	6 874 117			
eMondlo	R	14 187 007			
	R	146 257 800	R 195 000 000	R	79 000 000
Total Budget Available		R 225 012 000			

#### **CHAPTER 4 PERFORMANCE MANAGEMENT SYSTEM**

## 4.1 Introduction

The Performance Management System (PMS) is generally defined as a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels, with a set of tools and techniques to regularly plan, continuously monitor and periodically measure and review performance of the municipality in terms of indicators and targets for efficiency, effectiveness and impact.

Performance Management entails the development of priorities aligned to the municipal strategy as well as the development of Key Performance Areas, Key Performance Indicators, targets and measures. This enables proper planning, measuring, monitoring, reviewing and reporting on performance in the organisation. Performance management ensures the harnessing and maximum performance of all available resources within the organisation. Communities are involved in the development of performance measures to ensure that they have insight into and are involved in decision-making regarding the services delivered to them by the municipality.

The implementation of a performance management system framework should allow the municipality to collect, process, organise, analyse, audit, reflect and report on performance information. It should also allow the municipality to take practical steps to improve its performance.

Upon the compilation of the municipal annual report, a performance report should be developed and form part of the annual report. This document is therefore intended to report on the performance targets as set for 14/15 financial year. This report is intended to reflect on the performance framework of the municipality and the targets that were set for the 14/15 period.

## 4.2 The legislative framework

The legislative framework of the PMS includes the Constitution of the country. The white paper on Local government, the Municipal Systems Act, the Municipal Finance Management Act, Municipal Planning and Performance Management Regulations. For the purposes of this document the following pieces of legislation will be considered and briefly outline their provisions.

Municipal systems Act Municipal planning and performance management regulations Batho Pele White paper on local government

## 4.3 Municipal systems Act

Chapter 6 of the Municipal Systems Act, (Act 32of 2000) requires that all Municipalities must establish a PMS that is in line with its resources, best suited for its dynamics and that is in line with its priorities, objectives, indicators and targets as contained in the IDP. The municipality is also required by the Act to promote a culture of performance among its political structures, political office bearers and councillors and in its administration; and administer its affairs in an economical, effective, efficient and accountable manner.

It is this same Act which provides that the municipality must establish mechanisms for monitoring and reviewing its performance management system. The law requires a PMS to have the following core components:

Set appropriate key performance indicators Set measurable performance targets Develop the monitoring framework

Performance measurement and review mechanisms Establish a process of regular reporting

The Act also requires the council to ensure the community involvement in the development and review of the municipality's PMS.

According to section 46 of the Municipal Systems Act, a municipality must prepare for each financial year an annual report that also consists of a performance report. That performance report must reflect:

The municipality's, and any service provider's, performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

The development and service delivery priorities and the performance targets set by the municipality for the following financial year; and

Measures that were or are to be taken to improve performance;

## 4.4 The Municipal Planning and Performance Management Regulations, 2001.

This piece legislation further instructs each municipality to ensure that its performance management system:

Complies with the requirements of the Act

Demonstrates how the system will operate and be managed from the planning stage up to the stages of performance and reporting.

Clarifies the roles and responsibilities of each role player, including the local community, in the functioning of the system

Determines the frequency of reporting and the lines of accountability for performance

Relates to the municipality's employee performance management processes.

Provides for the procedure by which the system is linked to the municipality's integrated development planning processes.

Is adopted before or at the same time as the commencement of by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan

It is in terms of this regulation that the council's PMS must be adopted by the council at the same time as the identification of the key performance areas by the municipality. This regulation also presents the prescribed general key performance indicators that should be aligned to those identified by the municipality.

This piece of legislation seeks to set out how the performance of municipal managers will be uniformly directed, monitored and improved. It also addresses both the Employment Contract of a municipal manager and managers directly accountable to municipal managers, as well as the Performance Agreement that is entered into between respective municipalities, municipal managers and managers directly accountable to municipal managers. According to this piece of legislation the KPAs for Municipal Managers and Managers directly accountable to the Municipal Manager are stipulated in the Regulations, 2006 as follows:

Basic Service Delivery Municipal Institutional Development and Transformation

Local Economic development (LED) Municipal Financial Viability and Management Good Governance and Public Participation

## 4.5 The batho pele principles

Batho Pele principles note that the development of a service-oriented culture needs an active and informed participation of the wider community. Municipality must therefore receive a constant feedback from its customers in order to improve their service delivery mechanisms. The PMS is an important tool for ensuring that the council delivers on its mandate hence the communities should also be involved in its development and review.

## 4.6 The white paper on local government

This paper proposed the introduction of the performance management system to local government as a tool to ensure the envisaged developmental local government. As such it states that the IDP, budget and PMS are powerful tools that can assist municipalities to develop

an integrated perspective on development in their area. It enables them to focus on priorities within an increasingly complex and diverse set of demands and enables them to direct resource allocations and institutional systems to a new set of development objectives

## 4.7 Back to Basics

Government has come up with multi-pronged strategies to improve the state of municipalities so as to improve service delivery, reduce redtape to fastrack development. Reporting to COGTA is done monthly, quarterly and at differing intervals to the MEC and Premier.

ER		CHALLENGES		RESPONSIBILITY	1	
NUMBER	BACK TO BASICS PILLARS	STRATEGIC ISSUES	ISSUES BROUGHT FORWARD	COGTA BUSINESS UNIT	SECTOR DEPARTMENTS	MUNICIPALITY
1.	PILLAR 2: BASIC SERVICE DELIVERY	Illegal occupants	Illegal occupants of government houses do not pay for water services.		DPW	Municipality
2.	PILLAR 2: BASIC SERVICE DELIVERY	Water loses	Water loses as reported by the AG are 7.6%			Municipality
3.	PILLAR 2: BASIC SERVICE DELIVERY	Maintenance programme with appropriate funding		Municipal Infrastructure		<ol> <li>CoGTA – Municipal Infrastructure</li> <li>Municipal Finance and Municipality</li> <li>Municipality, and Cogta: Municipal Infrastructure</li> <li>Municipal Finance and Municipality</li> <li>Municipal Finance and Municipality</li> </ol>

		CHALLENGES		RESPONSIBILITY	(	
NUMBER	BACK TO BASICS PILLARS	STRATEGIC ISSUES	ISSUES BROUGHT FORWARD	COGTA BUSINESS UNIT	SECTOR DEPARTMENTS	MUNICIPALITY
4.	PILLAR 2: BASIC SERVICE DELIVERY	Reliability and Efficiency of services		Municipal Infrastructure		<ol> <li>CoGTA – Municipal Infrastructure</li> <li>CoGTA – Municipal Infrastructure</li> </ol>
5.	PILLAR 2: BASIC SERVICE DELIVERY	Insufficient Technical Capacity		Municipal Infrastructure		<ol> <li>CoGTA – Municipal Infrastructure and Capacity Building</li> <li>CoGTA Municipal Infrastructure and Provincial Treasury (facilitation) ; Municipality</li> <li>CoGTA - Municipal Infrastructure</li> </ol>
6.	PILLAR 3: GOOD GOVERNANCE	District technical IGR fora not functioning optimally as serious service delivery challenges are not addressed. Meetings attended by junior officials. Poor participation of Sector Departments		Municipal Governance & Admin	N/A	Municipality

		CHALLENGES		RESPONSIBILITY	(		
NUMBER	BACK TO BASICS PILLARS	STRATEGIC ISSUES	ISSUES BROUGHT FORWARD	COGTA BUSINESS UNIT	SECTOR DEPARTMENTS	MUNICIPALITY	
		in IGR. Ten point plan:District and local IGR coordination model					
7.	PILLAR 4: SOUND FINANCIAL MANAGEMENT	1. To improve Municipal Audit Outcomes		Municipal Finance		Municipality	
8.	PILLAR 4: SOUND FINANCIAL MANAGEMENT	3. Standard Operating Procedures developed to assist municipalities in improving internal controls		Municipal Finance		Municipality	
9.	PILLAR 4: SOUND FINANCIAL MANAGEMENT	12. To improve financial Compliance in relation to (1 - New Standards, 2 – MSCOA)		Municipal Finance		Municipal MM & CFOs	
10.	PILLAR 5: BUILDING CAPABLE LOCAL GOVERNMENT INSTITUTIONS	Suspensions of MM's and Section 56 Managers and illegal cancellation of contracts and removal of senior		Municipal Governance & Admin	N/A	Municipality	

		CHALLENGES		RESPONSIBILITY	<b>/</b>	
NUMBER	-	STRATEGIC ISSUES	ISSUES BROUGHT FORWARD	COGTA BUSINESS UNIT	SECTOR DEPARTMENTS	MUNICIPALITY
		managers and costs implications and				
		court challenges on municipal budgets				

# 4.8 ANNUAL PERFORMANCE REPORT FOR 2015/16

This section demonstrates the performance of Zululand District Municipality for the period ended at 30 June 2016. Below that the following table depicts what the Municipality achieved in the previous financial year 2014/15.

## ANNUAL ASSESSMENT REPORT - Entire District - 2015/2016

National KPA: Basic Service Delivery

**Balance Scorecard Perspective: Customer** 

Prog	Objective	Indicator	К	Actual	Sco	1 - Not	2 -	3 -	4 -	5 -	Evidence
Driver			ΡΙ	Progres	re	Accepta	Partially	Effectiv	Perform	Outstand	
			Ν	S		ble	Achieve	е	ance	ing	
			0				d		Significa	Perform	
									ntly	ance	
									above		
									Expectati		

									ons		
HOD (P)	Review and facilitate the District WSDP	Final 2016/2017 WSDP submitted to council for approval by specified date	1	25/05/2 016	5	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	
HOD (TS)	Provide free basic water	Percentage of households with access to basic level of water (as per WSDP) (Reticulatio n-new household connection s)	2	3.68	5	0.63	0.70	0.76	0.82	0.89	
HOD (TS)	Improve access to	Percentage of	3	1.65	5	0.18	0.24	0.31	0.37	0.43	

	free water	households earning less than R1600 pm with access to free water (Note: Rudimenta ry)									
HOD (TS)	Improve water quality	Number of water quality tests as per the approved strategy	4	1798.00	1	<b>3</b> 16.00	1826.00	1836.00	1846.00	1856.00	
HOD (TS)	Provide free basic sanitation services	Percentage of households with access to basic level of sanitation ( as per WSDP)	5	5.30	5	2.34	2.40	2.47	2.53	2.59	
HOD (TS)	Improve access to	Percentage of	6	5.30	5	2.34	2.40	2.47	2.53	2.59	

	free sanitation	households earning less than R1600 pm with access to free basic sanitation									
HOD (P)	Effectively monitor WSP's	Number of WSP Meetings scheduled	7	12.00	5	4.00	6.00	8.00	10.00	12.00	
HOD (TS)	Implement effective Customer Care	Notificatio n of community on planned water supply interruptio ns	8	665.00	5	<b>12.00</b>	24.00	48.00	60.00	72.00	
HOD (F) (P)(TS)(C S)	Maximise the implement ation of IDP identified projects	Percentage of a municipalit y's budget actually spent on identified projects for	9	173.80%	5	<b>0.00 %</b>	90.00 %	100.00 %	100.00 %	100.00 %	GS 560 Report.pdf

		a particular financial year in terms of the municipalit y's IDP									
HOD (Co)	Effective coordinatio n of DM plan implement ation	Disaster manageme nt forum meetings scheduled by 30 Jun 2016	1 0	30/06/2 015	3	0/07/2 015	15/07/2 015	30/06/2 015	15/06/20 15	01/06/20 15	
HOD (Co)	Create awareness of hazards and disasters	Number of DM awareness campaigns scheduled per quarter	1 1	34.00	5	4.00	6.00	10.00	12.00	14.00	
HOD (Co)	Review and facilitate the District Disaster Managemn et Plan	Final Disaster Manageme nt Plan submitted to MM by specified date	1 2	25/05/2 016	5	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	

		Airport plan submitted to MM by specified date I Financial vial		27/06/2 016	3 ngemer	nt	0/07/2	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	
Prog Driver	Objective	Indicator	K PI N O	Actual Progres s	Sco re		1 - Not Accepta ble	2 - Partially Achieve d	3 - Effectiv e	4 - Perform ance Significa ntly above Expectati ons	5 - Outstand ing Perform ance	Evidence
HOD (F)	Improve revenue collection	Outstandin g service debtors recovery rate to revenue per quarter	1 4	52.00	1		0.48	0.32	0.25	0.23	0.20	KPI 14.xlsx
HOD (F)	Improve supply chain	Number of successfull appeals per	1 5				2.00	1.00	0.00	0.00	0.00	

	application	quarter									
HOD (F)	Process payments in time	Processing time of invoices per quarter	1 6	30.00 day(s)	3	60.00 day(s)	45.00 day(s)	30.00 day(s)	15.00 day(s)	10.00 day(s)	KPI 16 Memo.pdf
HOD (F)	Complete and submit accurate annual financial statements	Review and submit Financial Statements	1 7	31/08/2 015	3	0/10/2	15/10/2 015	31/08/2 015	15/08/20 15	01/08/20 15	Acknowldge ment of receipt 2015 AFS.pdf
Municipa I Manager	Complete and submit accurate annual financial statements within the specified time period	Maintain unqualified audit opinion from Auditor General	1 8	Unqualif ied			Qualifie d	Unqualif ied			
HOD (F)	Budget for ZDM annually	Final 2016/17 budget submitted to council for approval	1 9	25/05/2 016	5	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	Budget Resolution 2016- 2017.pdf

		by specified date									
HOD (F)	Have an effective Auditing Function	Number of Audit committee meetings scheduled per quarter	2 0	4.00	3	2.00	3.00	4.00	5.00	6.00	Agenda APMC - 09 June 2016 (Q4 Evidence)2. pdf, Audit Com Min 12 01 2016 (Q3 Evidence).p df, Audit Com Min 22.09.2015 (Q1 Evidence).p df, Audit Comm Min 19 04 2016 (Q4 Evidence)1. pdf
HOD (F)	Report timely and accurately	Quartely SDBIP reports for 2015/16 submitted	2 1	28/07/2 016	3	016	15/08/2 016	30/07/2 016	15/07/20 16	01/07/20 16	

		to MM by specified date									
HOD (F)	Have an effective auditing function	Percentage of audit querries addressed from the AG report by the end of the financial year	22	34.00	1	<b>6</b> 30.00	85.00	90.00	95.00	100.00	AG 2014-15 Managemen t Report Status Report.xlsx
HOD (F)	Increase the cost coverage ratio	Cost coverage ratio achievedpe r quarter	2 3	3.00	3	5.00	4.00	3.00	2.00	1.00	KPI 23 Evidence.pd f, KPI 23 Cost Coverage Ratio.xlsx
HOD (F)	Increase debt coverage ratio	Debt coverage ratio achieved per quarter	2 4	0.00	5	5.00	4.00	3.00	2.00	1.00	
HOD (F)	Report timely and accurately	Annual report 2014/2015 submitted	2 5	28/01/2 016	3	016	29/02/2 016	30/01/2 016			2014-2015 Annual Report Resolution.p

		to council									df
		by specified									
		date									
HOD (F)	Produce accurate statements	Percentage of accounts adjustment s effected per quarter	2 6	3.00	3	5.00	4.00	3.00	2.00	1.00	KPI 26 Percentage of account adjustments .xlsx
HOD (F)	Keep a minimum cash balance to cover average monthly expenditur e	Number of days with excessive funds in current account in relation to strategy	2 7	15.00	3	25.00	20.00	15.00	10.00	5.00	
HOD (F)	Align capital programm e and IDP	Percentage of capital projects budgeted for in accordance with the IDP	2 8	100.00	3	80.00	90.00	100.00			
National K	PA: Local Eco	nomic Develo	pmei	nt			1				
Balance So	corecard Persp	pective: Learni	ing a	nd growth							

Prog Driver	Objective	Indicator	K PI N O	Actual Progres s	Sco re	1 - Not Accepta ble	2 - Partially Achieve d	3 - Effectiv e	4 - Perform ance Significa ntly above Expectati ons	5 - Outstand ing Perform ance	Evidence
HOD (CS)	Co- Ordinated and Integrated Regional Economic Developme nt	Approved LED Strategy submitted to council by specified date	2 9	30/03/2 016	5	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	KPI strategies.p df, KPI strategies.p df
HOD (CS)	Co- Ordinated and Integrated Regional Economic Developme nt	Number of tourism awareness and training workshops scheduled per quarter	3 0	19.00	5	4.00	6.00	8.00	10.00	12.00	KPI 30 Q3- 16.pdf
HOD (TS)	Effectively co-ordinate LED in the	Number of jobs created	3 1	2934.00	5	<b>00.00</b>	150.00	200.00	250.00	300.00	

	district	through LED initiatives and capital projects									
HOD (CS)	Effectively co-ordinate LED in the District	Number of LED ward projects implement ed	3 2	465.00	5	<b>S</b> 00.00	150.00	200.00	230.00	260.00	
HOD (CS)	Plan and implement institutiona I measures that would reduce the impact of HIV/AIDs	HIV/ADS Strategy 2016/2017 submitted to council by specified date	3	30/06/2 016	3	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	KPI strategies.p df
HOD (CS)	Create HIV/AIDS awareness and education	Number of HIV/AIDS awareness campaigns scheduled by 30 June 2016	34	40.00	5	4.00	4.00	16.00	20.00	24.00	
HOD (CS)	The social upliftment of the	Number of schools/cre ches	3 5	73.00	5	<mark>≫</mark> 30.00	45.00	60.00	65.00	70.00	

	communiti es in ZDM	inspection reports conducted per quarter									
HOD (CS)	Access sufficient resources to implement youth and gender programm es	Social Developme nt strategy submitted to MM by specified date	3 6	30/03/2 016	5	0/07/2 016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	KPI strategies.p df
HOD (CS)	Strategicall y plan developme nt and empowerm ent initiatives for youth and gender	Number of district youth council meetings scheduled per quarter	3 7	4.00	3	1.00	2.00	4.00	6.00	8.00	
HOD (CS)	Enable participatio n and create awareness of councils	Number of quality of life council meetings scheduled per quarter	3 8	8.00	5	<b>1.00</b>	2.00	4.00	6.00	8.00	

	youth and gender programm es										
HOD (CS)	Reduce poverty by implementi ng community developme nt projects	Number of people participatin g in ZDM community capacity building programm es by financial year end	3 9	542.00	5	70.00	200.00	240.00	260.00	280.00	
HOD (CS)	Implement food production compliance	Number of food production site inspection reports produced per quarter	4 0	108.00	5	¥24.00	36.00	48.00	60.00	72.00	
HOD (CS)	Enhance mortuary compliance	Number of mortuary inspection reports produced	4 1	48.00	3	24.00	36.00	48.00	60.00	72.00	

		per quarter									
		vernance & Pu		-	on						
Balance Sc	corecard Persp	pective: Learni	ng a	na growth							
Prog Driver	Objective	Indicator	K PI N O	Actual Progres s	Sco re	1 - Not Accepta ble	2 - Partially Achieve d	3 - Effectiv e	4 - Perform ance Significa ntly above Expectati ons	5 - Outstand ing Perform ance	Evidence
HOD (CS)(F)(P) (TS)	Spend grant funding	Percentage of allocated grant funds spent	4 2	143.25%	5	0.00 %	90.00 %	100.00 %	100.00 %	100.00 %	
HOD (F)	Improve governance	Final fraud prevention strategy reviewed and submitted to MM by specified date	43	01/09/2 016	1	016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	
HOD (P)	Manage	6	4	6.00	3	4.00	5.00	6.00			

	performan ce effectively	perfomanc e agreement s signed by 56 section managers by specified date	4								
Municipa I Manager	Maintain Institutiona I Capacity to render Municipal Services	Average number of vacancies in critical posts in relation to organogra m by the end of the financial year	4 5	0.00 %	5	.00 %	3.00 %	2.00 %	1.00 %	0.00 %	
HOD (F)	Mitigate risks	Final risk manageme nt plan submitted to MM by specified date I transformati	4	09/06/2 016	4	0/07/2 016	15/07/2 016	30/06/2 016	15/06/20 16	30/03/20 16	

Prog Driver	Objective	Indicator	K PI N O	Actual Progres s	Sco re	1 - Not Accepta ble	2 - Partially Achieve d	3 - Effectiv e	4 - Perform ance Significa ntly above Expectati ons	5 - Outstand ing Perform ance	Evidence
HOD (P)	Encourage participatio n in IDP process, ensure alignment with Local Municipalit ies	Number of stakeholde r alignment meetings held by the end of the financial year	47	20.00	5	4.00	6.00	8.00	10.00	12.00	
HOD (P)	Encourage participatio n in IDP process, ensure alignment with Local Municipalit ies	of 2016/2017 IDP Framework Plan to	4 8	28/08/2 015	5	0/10/2 015	15/10/2 015	30/09/2 015	15/09/20 15	01/09/20 15	

HOD (P)	Effective spatial developme nt	Final Spatial Developme nt Framework submitted to Council by specified date	49	25/05/2 016	5	<b>≫</b> 0/07/2 016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	
HOD (P)	Encourage participatio n in IDP process, ensure alignment with Local Municipalit ies	Integrated Developme nt plan 2016/2017 submitted to council for adoption by specified date	5 0	25/05/2 016	5	0/07/2 016	15/07/2 016	30/06/2 016	15/06/20 16	30/05/20 16	
HOD (P)	To effectively deal with developme nt and environme ntal	Percentage of environme ntal application s responded	5	100.00	5	<mark>≫</mark> 80.00	80.00	80.00	90.00	100.00	

	application s in line with legislation	to within 40days of reciept by the end of financial year									
Municipa I Manager	Implement and Manage Employme nt Equity	Number of people from employme nt equity target groups employed in three highest levels of Manageme nt in complaince with a municipalit y's employme nt equity plan	52	18.00	3	5.00	10.00	13.00			
HOD (Co)	Maintain	Workplace	5	29/04/2	5	<b>\$\$</b> 0/07/2	15/07/2	30/06/2	15/06/20	30/05/20	
	Institutiona	skills plan	3	016		016	016	016	16	16	

	l Capacity to render Municipal Services	2016/2017 submitted to Local Labour Forumby specified date								
HOD (Co)	Maintain Institutiona I Capacity to render Municipal Services	Percentage of municipalit y's budget actually spent on implementi ng its workplace skills plan	54	92.00 %	3	0.00 %	90.00 %	100.00 %		

The table below depicts the performance of the municipality in the previous financial year 2014/2015:

# ANNUAL PERFORMANCE. REPORT - 2014/2015

National KPA: Basic Service Delivery

# Balance Scorecard Perspective: Customer

Prog Driver	Objective	Indicator	KPI No	Indicator defintion	Previous Year 2013/2014	Actual Progress	Status	Target	Evidence	Reason for Variance / Measure s to improve
HOD (P)	Review and facilitate the District WSDP	Approved WSDP plan	1	2015/2016 WSDP	29/05/2014	28/05/2015	Achieve d	30/06/2015		
HOD (TS)	Provide free basic water	Percentage of households with access to basic level of water (as per	2	Percentage of new connections made by 30June 2015	1.99	1.54	Achieve d	0.81		

		WSDP) (Reticulation- new household connections)		2013/2014 baseline + percentage of actual new connections	64.17%	65.71%		64.98%	
				Number of new connections made by 30 June 2015	3137	2430		1286	
				2013/2014 baseline + actual new connections	101295	103725		102581	
HOD (TS)	Improve access to free water	Percentage of households earning less than R1600 pm with access to	3	Percentage of new connections made by 30June 2015	2.43	1.56	Not Achieve d	1.78	Reason for under- performa nce was
		free water (Note: Rudimentary)		2013/2014 baseline + percentage of actual new connections	64.17%	65.73		65.95%	caused by a fact that, targets were not

Number of new connections made by 30 June 2015	3843	2466	2822	set against allocated budget for a
2013/2014 baseline + actual new connections	101295	103761	104117	particular financial year.This led to performa nce contracts signed prior to budget approval by Council, whereas, budget for a relevant KPI in question, is subject to current water

									supply needs.Wi th this being a fact, and in future, such reciproca tions will be corrected and any unavoida ble discrepan cies be recomme nded for adjustme nt and approval be sought through by Council.
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HOD (TS)	Improve water quality	Number of water quality tests as per the approved strategy	4		1936.00	2001.00	Achieve d	1836.00	
HOD (TS)	Provide free basic sanitation services	Percentage of households with access to basic level of sanitation ( as	5	Percentage of new connections made by 30June 2015	6.71	5.37	Achieve d	4.18	
		per WSDP)		2013/2014 baseline + percentage of actual new connections	64.04	69.41		68.22%	
				Number of new connections made by 30 June 2015	10597	8479		6600	
				2013/2014 baseline + actual new connections	100499	108978		107697	

HOD (TS)	Improve access to free sanitation	Percentage of households earning less than R1600 pm with access to	6	Percentage of new connections made by 30June 2015	6.71	5.37	Achieve d	4.18	
		free basic sanitation		2013/2014 baseline + actual percentage of new connections	64.04	69.41		68.22%	
				Number of new connections made by 30 June 2015	10597	8479		6600	
				(2013/2014 baseline) + (actual number of new connections)	100499	108978		107697	

I				1 1				
HOD (P)	Ensure that	Approved	7	02/06/2014	N/A		30/06/2015	The
	legislated water	identified			,			National
	policies are	water policies						Water
	reviewed and	and bylaws						Act
	updated							makes
								provision
								for
								establish
								ment and
								review of
								bylaws.
								On
								assessme
								nt of the
								bylaws,
								there has
								been no
								significan
								t
								happenin
								gs tha
								necessita
								ted the
								review of
								the
								bylaws in
								the

								immediat e past. Therefore the bylaws should not be reviewed this financial year
HOD (P)	Effectively monitor WSP's	Number of WSP Meetings scheduled	8	12.00	12.00	Achieve d	8.00	
HOD (TS)	Implement effective Customer Care	Notification of community on planned water supply interruptions	9	72.00 hr	131.75 hr	Achieve d	48.00 hr	
HOD (TS)	Effectively utilise MIG allocation	% of MIG grant funds spent on approved projects	10	100.00 %	100.00 %	Achieve d	100.00 %	

1								1	
HOD (CS)	Maximise the implementation of IDP identified projects	Capital budget actually spent on identified projects	11		98.25%	100.00 %	Achieve d	100.00 %	
HOD (Co)	Effective coordination of DM plan implementation	Disaster management forum meeting held by specified date	12		4 by 21/05/2014	26/06/2015	Achieve d	30/06/2015	
HOD (Co)	Create awareness of hazards and disasters	Number of DM awareness campaigns scheduled per quarter	13		16.00	16.00	Achieve d	10.00	
HOD (Co)	Review and facilitate the district Disaster Management plan	Approved DM Plan	14	Approval of the 2015/2016 Disaster Management Plan	27/03/2014	28/05/2015	Achieve d	30/06/2015	
HOD (Co)	Review and facilitate the Municipal airport	Airport plan submitted to MM by specified date	15	Approval of the 2015/2016 Airport Plan	23/05/2014	19/03/2015	Achieve d	30/06/2015	

	management plan								
HOD (Co)	Review and facilitate the Municipal airport management plan	Implement identified activities from the airport plan	16	Implement identified activities in the 2014/2015 airport plan	100.00 %	100.00 %	Achieve d	100.00 %	

# National KPA: Municipal Financial viability and management

# Balance Scorecard Perspective: Finances

Prog Driver	Objective	Indicator	KPI No	Indicator defintion	Previous Year 2013/2014	Actual Progress	Status	Target	Evidenc e	Reason for Variance/ Measures to improve
HOD (F)	Improve revenue collection	Outstanding service debtors recovery rate	17		0.63	0.79	Not Achieve d	0.25		Account # 1055096 was over

		to revenue						billed by 498% above it monthly budget for March 2015. The overbilling was corrected in April 2015
HOD (F)	Improve supply chain application	Number of successfull appeals	18	0.00	0.00	Achieve d	0.00	
HOD (F)	Process payments in time	Processing time of invoices	19	30.00 day(s)	30.00 day(s)	Achieve d	30.00 day(s)	
HOD (F)	Complete and submit accurate annual financial statements	Review and submit Financial Statements	20	31/08/2013	31/08/2014	Achieve d	31/08/2014	
HOD (F)	To consistently achieve clean audit	Unqualified audit opinion	21	Unqualified	Clean Audit	Achieve d	Unqualified	

HOD (F)	Budget for ZDM annually	Approved final budget	22	29/05/2014	28/05/2015	Achieve d	30/06/2015	
HOD (F)	Have an effective Auditing Function	Audit committee meetings scheduled	23	20/06/2014	16/04/2015	Achieve d	30/06/2015	
HOD (F)	Report timely and accurately	SDBIP reports approved by specified date	24	31/07/2014	29/04/2015	Achieve d	30/06/2015	
HOD (F)	Have an effective Auditing Function	% of audit querries addressed from the AG report	25	90.00 %	78.00 %	Achieve d	75.00 %	
HOD (F)	Increase the cost coverage ratio	Cost Coverage ratio	26	4.30	2.00	Not Achieve d	3.00	R135 million (equitable share) and R19 million (MWIG) have been received on 06 July 2015 and

							17 July 2015 respective ly as per allocation schedules. R2 million will be in received July 2015 from Departme nt of Water Affairs as at 30 June 2015. Invoices
HOD (F)	Increase the debt coverage ratio	Debt Coverage ratio	27	5	Not Achieve d	3.00	The ratio cannot be determine d. The municipali ty does not have long term debt

HOD (F)	Report timely and accurately	Approved annual report	28	28	22/01/202	L5 Achieve d	28/03/2015	
HOD (F)	Produce accurate statements	% of accounts adjustments effected	29	29	26.85%	Achieve d	3.00 %	System error. Sysm cannot print number of statement issued for the month of June 2015 for circles 2 and 5.
HOD (F)	Keep a minimum cash balance to cover average monthly expenditure	Number of days with excessive funds in current account in relation to strategy	30	30	60.00 day(s)	Achieve d	60.00 day(s)	
HOD (F)	Align Capital Programme and IDP	% of capital projects budgeted for in	31	31	100.00 %	6 Achieve d	100.00 %	

		accordance with the IDP								
National K	(PA: Local Econom	ic Development								
Balance So	corecard Perspecti	ve: Learning and g	growth	1						
Prog Driver	Objective	Indicator	KPI No	Indicator defintion	Previous Year 2013/2014	Actual Progress	Status	Target	Evidence	Reason for Variance / Measure s to improve
HOD (CS)	Co-Ordinated and Integrated Regional Economic Development	Approved LED Strategy	32	Approval of the 2015/2016 LED strategy	29/05/2014	26/05/2015	Achieve d	30/06/2015		
HOD (CS)	Co-Ordinated and Integrated Regional Economic	Number of tourism awareness and training	33		10.00	14.00	Achieve d	8.00		

	Development	workshops held							
HOD (TS)	Co-Ordinated and Integrated Regional Economic Development	Number of jobs created through LED initiatives and capital projects	34		3253.00	2806.00	Achieve d	200.00	
HOD (CS)	Effectively co- ordinate LED in the District	Number of LED ward projects implemented	35		590	386.00	Achieve d	200.00	
HOD (CS)	Plan and implement institutional measures that would reduce the impact of HIV/AIDs	Approved HIV/ADS Strategy	36	Approval of the 2015/2016 HIV/AIDS strategy	21/05/2014	15/06/2015	Achieve d	30/06/2015	
HOD (CS)	Create HIV/AIDS awareness and education	Number of HIV/AIDS awareness campaigns held	37		26.00	53.00	Achieve d	16.00	

				impleme nted; if they would be impleme nted through the municipal ity then they would send their own business plan template s for the municipal ity to populate in order for them to transfer grant funds for those
--	--	--	--	--

								particular projects. This KPI falls under the category of such projects/ program mes and it has therefore been removed from the municipal ity's next five year service delivery KPIs because it is depende nt on the plans of the governm
--	--	--	--	--	--	--	--	--

									ent departme nts which makes it immeasu rable and unachiev able
HOD (CS)	Strategically plan development and empowerment initiatives for youth and gender	Approved social development strategy	39	Approval of the 5 year social development strategy(2015- 2020)	18/03/2014	08/05/2015	Achieve d	30/06/2015	

HOD (CS)	Enable participation and create awareness of Councils Youth and Gender Programmes	Number of District Youth Council Meetings held	40	11.00	7.00	Achieve d	4.00	
HOD (CS)	Enable participation and create awareness of Councils Youth and Gender Programmes	Number of quality of life Council Meetings held	41	11.00	5.00	Achieve d	4.00	
HOD (CS)	Reduce poverty by implementing Community Development Projects	Number of people participating in ZDM Community Capacity Building Programmes	42	130.00	970.00	Achieve d	250.00	
HOD (CS)	Implement food production	Number of food production site	43	50.00	57.00	Achieve d	12.00	

	compliance	inspection reports						
HOD (CS)	Enhance mortuary compliance	Number of mortuary inspection reports	44	24.00	20.00	Achieve d	12.00	

# National KPA: Good Governance & Public Participation

# Balance Scorecard Perspective: Learning and growth

Prog Driver	Objective	Indicator	KPI No	Indicator defintion	Previous Year 2013/2014	Actual Progre ss	Status	Target	Evide nce	Reason for Variance/ Measures to improve
Municipal Manager	Improve community and stakeholder participation	Approved Communicatio n strategy	45	Approval of the 2014-2017 Communicatio n Strategy	0	26/08/ 2014	Achieved	30/06/2015		
HOD (Co)	Spend grant funding	Percentage of allocated grant funds spent	46		100.00 %	100.00 %	Achieved	100.00 %		

HOD (F)	Improve governance	Approved fraud prevention strategy	47	Approval of the 2015/2016 fraud prevention strategy	29/05/2014	lot ieved	30/06/2015	Department of CoGTA appointed KPMG to conduct Fraud Risk workshops at municipalities in the KZN province. Fraud Risk Register report was then received in July 2015 (post 30 June 2015) from CoGTA reporting on the first phase of the project. Hence the report was received late after financial year end, the Fraud Prevention

									Strategy could not be approved during the 2014/15 financial year. The achievement to this KPI has been moved to 2015/16 Balance Scorecard
HOD (P)	Manage performance effectively	Number of signed Sec 57 performance agreements	48		6.00	6.00	Achieved	6.00	
HOD (Co)	Maintain Institutional Capacity to render Municipal Services	Number of critical posts filled in relation to organogram	49		100.00 %	N/A		100.00 %	
HOD (F)	Mitigate risks	Approved Risk management plan	50	Approval of the 2015/2016 risk management	25/10/2013	29/05/ 2015	Achieved	30/06/2015	

	plan			

National KPA: Municipal transformation and institutional development

Balance Scorecard Perspective: Internal Processes

Prog Driver	Objective	Indicator	KPI No	Indicator defintion	Previous Year 2013/2014	Actual Progress	Status	Target	Evidence	Reason for Variance / Measure s to improve
HOD (P)	Encourage participation in IDP process, ensure alignment with Local Municipalities	Number of stakeholder alignment meetings	51		16.00	21.00	Achieve d	8.00		

HOD (P)	Encourage participation in IDP process, ensure alignment with Local Municipalities	Date of submission of IDP Framework Plan to Council for adoption	52		10/12/2013	26/08/2014	Achieve d	30/09/2014	
HOD (P)	Effective spatial development	Date of submission of reviewed Spatial Development Framework to Council	53		29/05/2014	28/05/2015	Achieve d	30/06/2015	
HOD (P)	Encourage participation in IDP process, ensure alignment with Local Municipalities	Adopted 2015/2016 Integrated Development plan	54	Approval of the 2015/2016 Integrated Development Plan	29/05/2014	28/05/2015	Achieve d	30/06/2015	
HOD (P)	To ensure documentation and update of PMS processes	PMS Framework Policy submitted to	55		29/05/2014	28/05/2015	Achieve d	30/06/2015	

	and procedures	MM						
HOD (P)	To effectively deal with development and environmental applications in line with legislation	% of environmental applications dealt with within 20 days	56	90.00 %	100.00 %	Achieve d	80.00 %	
HOD (Co)	Application of Policies & bylaws	Employee Assistance Programme submitted to MM	57	22/05/2014	26/08/2014	Achieve d	30/06/2015	
HOD (Co)	Application of Policies & bylaws	Corporate service related policies submitted to MM	58	22/05/2014	26/08/2014	Achieve d	30/06/2015	

HOD (Co)	Implement and Manage Employment Equity	Number of people from employment equity target groups employed in three highest levels of Management	59	94.00 of 3	100.00 of 3	Achieve d	100.00 of 3	
HOD (Co)	Maintain Institutional Capacity to render Municipal Services	Workplace skills plan submitted to Local Labour Forum	60	25/04/2014	23/04/2015	Achieve d	30/06/2015	
HOD (Co)	Maintain Institutional Capacity to render Municipal Services	Municipal Budget spent on Skills Development Plan	61	117.00 %	100.00 %	Achieve d	100.00 %	
HOD (Co)	Maintain Institutional Capacity to render	Implemented budgeted activities in the Workplace	62	100.00 %	100.00 %	Achieve d	100.00 %	

	Municipal Services	skills plan					
						130	

#### CHAPTER 5

#### **COMMUNITY& SOCIAL SERVICES**



## 5.1 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

#### INTRODUCTION TO ECONOMIC DEVLOPMENT

Historically the Zululand District has been isolated, in some respects referred to as a cul-desac, because of limited linkages to both the coast and the north. This relative isolation is being addressed through the development of the P700/701 rural link road between Ulundi and Empangeni, the establishment of a surfaced link road between Nongoma and Hlabisa, and the current (albeit delayed) construction of the link road between Nongoma and uPhongolo.

The ultimate goal of the initiative is to develop clear direction on the future implementation of a number of key strategic LED programmes or projects. The terms of reference for this initiative note that the sustainable local economic development in the case of Zululand District implies the following objectives:

- Reducing income leakages;
- Increasing levels of y ;
- Promoting local business development and business interaction; and
- Increasing business opportunities and employment

Compared to other rural District Municipalities in the province, and nationally, Zululand is blessed with at least one vibrant commercial centre per local municipality, viz. Paulpietersburg, Vryheid, Ulundi, Nongoma and Pongola. These centres vary substantially in terms of population size and type of economic activity. In terms of population size Ulundi is the largest town, followed by Vryheid.

Nongoma, on the other hand, only has an urban population of approximately 3 800 people which does not reflect the importance of it as a service centre in the District economy.

#### **OVERALL OBJECTIVE**

The overall objective of the LED Strategy is to transform and build the Zululand Economy.

This objective firstly acknowledges the developmental history of Zululand and the need for fundamental transformation before economic growth, benefitting all the people of the region, can be achieved. Colonial and apartheid development approaches shaped the spatial and economic environment over the past 150 years. Undoing the impact of these policies will require focused effort (as opposed to a 'scattering' of projects).

Thus, the LED Strategy only has two goals in mind for the next five years, viz. to **transform** and to build.

#### **GOAL: TRANSFORM**

The goal aimed at transforming the environment in which future economic development will be achieved through implementing three strategies.

- Strategy 1: Transform the Spatial Economy
- Strategy 2: Build the Capacity of the People
- Strategy 3: Establish Strategic Linkages

#### GOAL: BUILD

The goal aimed at building the economy will be achieved through implementing four strategies:

- Strategy 4: Consolidate and expand Tourism
- Strategy 5: Grow Agriculture

- Strategy 6: Develop Business
- Strategy 7: Explore Mining

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The following major projects underway or to be established are also to be considered in future LED planning:

- Nongoma Chicken Project;
- Mona Market Project;
- Pongolapoort Initiative;
- P700 Nodal development;
- Aloe processing facility;
- Agricultural equipment available at the District; and
- Seedling nursery.

Other priority projects for which the development of business plans should be considered includes:

- Bivane Dam
- Ithala Game Reserve
- Mona Market
- Umfolozi Game Reserve

## COMPONENT D: COMMUNITY& SOCIAL SERVICES

## 5.2 CHILDCARE; AGED CARE; SOCIAL PROGRAMMES

#### INTRODUCTION TO SOCIAL PROGRAMMES

Programmes for the Community sectors, namely, Gender, Senior Citizens, Disability, and Children are the core responsibility of Zululand District Municipality. One of the community development objectives of the Zululand District Municipality as stipulated in the IDP is to develop and implement social upliftment programmes. Over and above the municipal projects and services rendered, there are currently four major social programmes that the Department of Community Development implements for improvement of the quality of the communities.

#### A. GENDER PROGRAMMES

#### **Annual Women's Summit**

The aim of the Women's summit is to empower women citizens through sharing of developmental information among delegates. This is a forum where women share information and enter into dialogues on issues pertaining to their holistic development. The themes for discussion cover business opportunities, self-help programmes/projects, and education on gender based violence, women's health, HIV/AIDS, family welfare, and Local Economic Development (LED) initiatives, etc.

These summits yield fruits of success towards improving the quality of the lives of women (and entire communities) of the Zululand District Municipality. Through such a programme women get provided with an opportunity to network. They are encouraged to use business opportunities available within and outside the municipality.

#### **Community Economic Development Projects**

Through the Local Economic Development section, women and men are encouraged to form cooperatives or clubs in order to enable them to access assistance or information to start small scale farming and other types of business. They get assisted with ploughing of community fields and are supplied with seeds and fertilizers; those are interested in poultry farming are assisted with feeds and chicks. There is also a myriad of projects that communities are helped to start including block making, sewing, catering businesses, etc.

## **B. QUALITY OF LIFE PROGRAMMES**

• A Quality of Life Forum has been formed with representation from local municipal forums such as Gender, Disability, Elderly and Children. The Quality of Life also benefits in the similar above development programmes that the municipality offers.

## C. YOUTH DEVELOPMENT

ZDM established a Zululand Youth Council which is a youth body that assists the municipality with designing and implementing of programmes to develop youth. A Youth Affairs Officer is a designated personnel whose duty is to lead and advise the municipality on youth matters and work with the Youth Council to uplift the youth of the District.

#### • Youth Summits

The annual Youth Summit is held annually for the young citizens to share information on the available youth programmes within and outside the municipality. At these sessions information is imparted by the senior officials of the government and private sector with the aim of improving lives of young people in Zululand. At this forum there is interaction among the youth themselves, the municipality, youth business funders and youth development agencies.

#### **Youth Skills Development Programmes**

Indonsa Arts & Craft Centre is based in Ulundi and it is one of best community art centres in the KZN province. It has grown from strength to strength helping the young people, in particular, to acquire skills in fashion design, music (instruments) and visual arts. The courses are of duration of six months. Admission is free. The courses are aimed to assist young people that complete matric but lack funds to further their studies at tertiary institutions and also assist those that have academic qualifications but are unemployed so that their opportunities to get for employed are improved.

Graduates are encouraged by being given starter packs on graduation day to start their own businesses; they are however encouraged to form cooperatives in order improve their chances of accessing better funding.

Through the Centre an annual Art Festival/Competition called 'Umbele Wethu' is held in all the five municipalities under the Zululand District Municipalities and a big District final event in which the youth compete in all genres of music, dances, drama and painting. They win money prizes in order to encourage them to advance their talents into careers. The music winners are assisted with free recording their music at the Indonsa Art Centre studio. Quite a number of the musician that were trained at Indonsa and those that were picked from Umbele Wethu have grown to become professional musicians.



A class of fashion design modeling their work

## Achievements:

- 168 have been trained in Visual Arts and graphic designing of which 13 are self employed,

School educators also register for training as well as those who run their own companies

- 198 in Fashion Designing graduates,
- 63 in Music and instruments,
- 22 in Drama, 16 have been afforded a chance to perform overseas
- +/\_4550 school learners in one day training programme in visual arts.

## Challenge:

One major challenge is that the capacity of the centre is inadequate to meet the demands of the communities of ZDM.

#### PRINCESS MANDISI HEALTH CARE CENTRE

Princess Mandisi Health Care Centre is a brainchild of the Municipality; the Council initiated and built this centre because of the commitment to ensure that all citizens of Zululand lead a healthy lifestyle. This municipality believes in developing communities holistically because it cares about people's health and welfare. Through this Centre the ZDM wants to continually reduce the high HIV infection rate in Zululand.

The following services are offered:

- Voluntary counseling and Testing (VCT)
- Health Education to youth in schools and out of school
- On-going counseling for the infected and affected
- Community HIV and AIDS awareness

ZDM has forged partnership with SHIPP (Sexual HIV Prevention Programme) which is a USAID funded programme. The staff that is funded by USAID is based at Princess Mandisi Centre working in conjunction with the municipal staff in all the 5 local municipalities in Zululand. These are continued means of strengthening proper coordination in the District.

- CARE AND SUPPORT PROGRAMMES
  - Support Group; we have an active support group which meets every month at the Centre. This is the platform where PLWHA (people living with HIV and AIDS) share their fears, challenges and other problems relating to stigma and discrimination.
  - Garden project; the centre has a wonderful vegetable garden to assist local needy households especially the child headed. We have 14 people working in that 2 hector garden.

## • LOVELIFE PROGRAMME

- The partnership between ZDM and the Love Life Trust keeps growing. This partnership was lobbied by the Hon. Mayor with an intention of improving the quality of healthy lifestyle for young people in Zululand.
- Youth is employed at the centre to implement the 'Make Your Move' campaign at schools which is the concept of educating young people to assist them to make informed decisions and to eradicate teenage pregnancy.

## AIDS COUNCILS

- Zululand District Aids Council (DAC) was officially launched on the 14 December 2007.
- All Local Municipalities have been assisted to launch their functional Local AIDS Councils.
- ZDM HIV and AIDS Unit has also successfully established Ward Aids Committees (WAC), all 89 ZDM wards have their WAC established.

## D. SPORT DEVELOPMENT PROGRAMME

Sports Development is one of the community's activities that cut across racial, gender and culture. It promotes development, personal discipline, leadership, team work skills and entertainment through sporting activities. It also contributes to the development and empowerment of local communities and encourages interest of learning and gaining more skills.

## • Mayoral Cup Games

Zululand District Municipality held a very successful and developmental Mayoral Cup Games. Mayoral Cup Games provide an opportunity for the players within Zululand District Municipality to expose their talents that might be developed into careers.





• Zululand District Mayoral Netball and Soccer Tournament

The tournament was initiated to make young people play throughout year round. South African Football Association's rules apply and technical guidance is rendered by SAFA. Netball and football clubs play at various levels, namely, Ward Level, Local Municipal level, Round Robin, Semi-final and Final.

3 500 young people from the five local municipalities under the District of Zululand participate in the Mayoral Cup Games. The mayoral cup provides participants with sport development opportunities through the high level of competition. The Mayoral Cup is used as a selection forum for the ZDM team to represent the municipality at the annual SALGA Games. A minimum of 450 youth participate in the SALGA games in 15 sport codes every year.

The Mayoral Cup Games provide opportunities to expose the participants to the competition environment and even expose our talented players to the people who scout sport talent. Every year there are young people who get invited by National Football Division and Professional Soccer League teams for tests.

The other purpose for the Mayoral Cup is to create a platform for the Honorable Mayor and the council to strengthen Intergovernmental Relations with its local municipalities, sport associations and federations within the District and outside the District.

• Zululand 56 km Ultra Marathon

The Mayor of ZDM initiated this race in 2005 for the communities of Zululand to be exposed to professional running to be able to run even in big international races. Surprisingly the ZDM marathon grew and developed into international race. It presently attracts runners from outside the borders of South Africa. This motivates local runners to form clubs and register them to run professional races. Also short distance walks are held to also encourage even senior citizens to also participate to enhance a healthy lifestyle.

This Comrades Marathon qualifying marathon is organized in conjunction with KwaZulu-Natal athletics and runs between the towns of Nongoma and Ulundi.

Prizes for the race were significant, male and female runners who came first won cars that were donated by local business.

The marathon is instrumental in the social and economical development of the community of this district because people win money prizes which they use to improve their lives and it boosts local business and provides local vendors with the opportunity to sell their goods and services.

#### **Relationships with professional soccer teams**

 AmaZulu FC supported by the Zululand Region SAFA adopted soccer teams in primary schools in the Zululand District. Schools soccer coaches were trained over a weekend and all training materials were provided for training. After six months of training a tournament among the schools under the programme was held. Learners who display good talent would be offered bursaries in the next year and be placed in schools near AmaZulu FC headquarter so that they would continue with soccer whilst at school.



Launch of the AmaZulu FC Primary Schools Programme for ZDM

5.3 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

INTRODUCTIONTO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

A Health Officer must monitor and enforce compliance with National Health Act , 2003 (Act No.61 of 2003). A Health Officer may enter any premises, excluding a private dwelling, at any reasonable time and:

Inspect premises in order to ensure compliance with the abovementioned Act

On the calendar year no training of food handlers took place, but a massive food and water sampling was conducted. Sampling of food was done on formal food premises as well as caterers and street vendors.

85 Food samples were taken and 12 were not satisfactory. Health education was conducted on those premises.



73 Water samples were taken on water used for drinking, watering plants and recreational purposes. Out of 73, 18 were found to be faecal contaminated. Health education was conducted on the construction of toilets and the treatment of the contaminated water by either boiling or using disinfectants.



Continuous monitoring of food and water will be done to ensure that diseases that are caused by consuming contaminated water and food are eradicated in Zululand District Municipal Area.

#### SERVICE STATISTICS FOR HEALTH INSPECTION, Etc

#### Disposal of the Dead

The Zululand District Municipality is continuing with giving the unknown bodies of people proper burial and also assisting the forensic mortuaries and the District as a whole. The number of people buried as paupers has decreased in the past years. The following is the number of pauper burial per local municipality:

No	LOCAL MUNICIPALITY	No. OF BODIES BURIED
1	Ulundi Local Municipality	0
2	Nongoma Local Municipality	0
3	Pongola Local Municipality	0
4	Abaqulusi Local Municipality	10
5	eDumbe Local Municipality	0
	TOTAL	10



The table below reflects all the duties performed by Environmental Health Practitioners within the Zululand District Municipal Area.

No.	Work Items	No. of Inspections/Attendance	Action
1	Food caterers kitchen inspected	124	Health Education conducted on food handling
2	Food Caterers Issued with Certificate of Acceptability (COA)	60	Health Education conducted on food handling
3	Formal Food Premises Inspected	107	Health Education conducted on food handling &Management
4	Formal Food Premises Issued with COA	15	COA certificates issued
5	Education on food handling and safety	92	Reports were written to all those premises
6	Complaints received	11	All attended to, and some premises were issued with notice
7	Crèche inspection and Senior Citizen Clubs	87	Inspections were done, and report written
8	Mortuary Inspection	55	Inspections were done, and report written



9	Business license application	06	Report forwarded to the responsible authority
10	School inspection	33	Letters written to Dept of Education
11	Funeral Parlors issued with COC	3	Inspection of funeral parlors
12	Street Vendors	43	Health education on cleanliness and refuse removal
13	Condemnation of food stuff	34 583.6 Kg and 7389 Litres	Safe disposal of foodstuff
14	Bed & breakfast/Lodge	10	Letters written to the owners
15	Meat inspection	789	Carcasses were inspected and condemnations were made



# CHAPTER 6 – FINANCIAL PERFORMANCE



### **REPORT OF THE CHIEF FINANCIAL OFFICER**

### COMPONENT A: FINANCIAL STATEMENTS

INTRODUCTION TO FINANCIAL STATEMENTS

1. INTRODUCTION

It is a pleasure indeed to present the 2015/2016 Annual Financial Statements. The financial statement has been audited by the Office of the Auditor-General.

These Annual Financial Statements were prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The current year statement of Financial Position reports our net assets increasing by R357 797 918

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Post-Retirement Medical Benefit Liabilities. The overdraft has a negative effect on the cash flow position.



To address the negative cash flow, an Interim Finance Committee has been established with the sole object of extinguishing the negative cash flow position. Current Assets also increased.

On the revenue side, service charges increased, though overall revenue decreased due to a decrease in interest on investments, a decrease in grants and subsidies received.

On the expenditure side, overall operating expenditure increased primarily depreciation and amortization, due to an increase of employee related costs and employee benefits.

Looking to the future, revenue is likely to be reduced due to the current drought situation that is likely to reduce billed revenue.

### **KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory.

The percentages of expenditure categories are well within acceptable norms and indicate good govern municipality.

#### **Financial Statement Ratios:**

INDICATOR	2016	2015
Surplus / (Deficit) before		
Appropriations	352 879 167	149 898 136
Expenditure Categories as a percentage of Total		
Expenses:		
Employee Related Costs	28.6%	25.98%
Remuneration of Councillors	1.2%	1.12%
Contribution to Doubtful debts	0.7%	0.00%
Depreciation and Amortisation	9.8%	8.13%
Repairs and Maintenance	5.3%	7.42%
Bad debts	0.2%	1.49%
Bulk Purchases	13%	13.38%
Contracted Services	2.98%	2.68%
Grants and Subsidies Paid		0.04%
General Expenses	37.76%	36.73%
Employee benefits	0.7%	2.84%



## **OPERATING RESULTS**

Details of the operating results per segment classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Zululand District Municipality can generally be classified as Trading Services.

### Water Services:

Water is purified in bulk and distributed to the consumers by the municipality. Sewerage is removed from households and treated at sewer treatment plants but only for those households who are connected to the water-borne sewer system. Tariffs levied for water sewerage are subject to annual adjustments.

#### 18

### INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent support and provision of free basic services.

#### 19 EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance, the finalization these Annual Financial would be possible.

### **CHIEF FINANCIAL OFFICER**

**SB NKOSI** 

17 January 2017



# **6.2 STATEMENTS OF FINANCIAL PERFORMANCE**

**Revenue Collection**: All categories of actual Revenue earned exceeded budgeted revenue except for Interest on investments. However, the budget was adjusted to recognise the low interest income.

Description	2014/15	Current	: Year 2015/16		Year 0 Variand	ce
	Audited Outcome	Original Budget	Adjusted Budget	Actu	Original Budget %	Adjustment s Budget %
Financial Performance						
Property rates	_	_	_	_		
Service charges	29 948	31 668	25 445	25 44	5 80%	100%
Investment revenue	2 038	1 000	2 071	3 617	306%	174%
Transfers recognised -						
operational	305 645	336 761	331 811	340 1	93 101%	103%
Other own revenue	12 864	95 515	140 434	4 4 7 5	5%	3%
Total Revenue	350 495	464 944	504 691			
(excluding capital						
transfers and						
contributions)						
Employee costs	144 056	149 581	162 578	159 2	45 106%	98%
Remuneration of	6 221	6 4 7 5	6.225	6.624	1070/	10.40/
councillors	6 221	6 175	6 325	6 6 3 4	107%	104%
Depreciation & asset impairment	45 070	32 565	48 665	53 07	7 162%	163%
Finance charges	45 070	52 505	40 005	55 07	/ 102/0	10370
Materials and bulk						
purchases	74 180	84 868	79 868	69 11	9 81%	86%
Transfers and grants	200	1 861	30		0	0



Other expenditure	284 673	183 946	196 999	252 005	137%	128%
Total Expenditure	554 401	458 996	494 466	543 644		
Surplus/(Deficit)	(203 906)	5 948	10 225			
Transfers recognised -	· · · · ·					
capital	353 804	497 438	524 755	524 755		100%
Contributions						
recognised - capital &						
contributed assets	-	_	_			
Surplus/(Deficit) after	149 898	503 386	534 980			
capital transfers &						
contributions						
Share of surplus/						
(deficit) of associate	-	-	_			
Surplus/(Deficit) for the						
year	149 898	503 386	534 980			
Capital expenditure &						
funds sources						
Capital expenditure	233 167	503 386	529 702			
Transfers recognised -						
capital	229 444	497 538	524 855	522 707	105%	100%
Public contributions &						
donations	-	-	-			
Borrowing	-	-	-			
Internally generated						
funds	3 723	5 848	4 848	1 536	26%	32%
Total sources of capital						
funds	233 167	503 386	529 702	524 243	104%	99%

Description	R ef	2014/15		Year 2015/16			
R thousand	(JP)	Saudited Outcome	Original Budget	Adjusted Budget	Actual	Origina I Budget (%)	Adjustm ents Budget (%)
RECEIPTS:	1, 2					(70)	(70)
- Operating Transfers and Grants							
National Government:		305 590	334 696	336 196	334 696		
Local Government Equitable Share		297 420	322 706	322 706	322 706	100%	100%
Finance Management Municipal Systems		1 250	1 250	1 250	1250	100%	100%
Improvement Water Services		934	940	940	940	100%	100%
Operating Subsidy EPWP Incentive		3 500 2 486	6 000 3 800	6000 3 800	6000 3800	100%	100% 100%
Other transfers/grants [insert							
description] Provincial				1 500	1500	0	0
Government:		1 979	2 065	2 065			
Shared services		250	250	250	250	100%	100%
Art centre Subsisies							
(Indonsa Grant) Councilloe Training Gowth Development		1 729	1 815	1 815	1815	100%	100%
summit		346					
District Municipality:		_	_	_	_		
[insert description]							
Other grant providers:		_	_	_	-		
[insert description]							
Total Operating Transfers and Grants	5	307 569	336 761	338 811	334 696	100%	99%
Capital Transfers and							



						-	
<u>Grants</u> National Government:		345 860	497 538	524 755	524 716		
Municipal					011720		
Infrastructure Grant (MIG)		241 622	221 359	221 359	221359	100%	100%
Regional Bulk							
Infrastructure		62 866	195 000	187 707	187 707	96%	100%
Rural Roads Asset							
Managemnt Systems							
Grant		2 167	2 173	2 173	2 173	100%	100%
Municipal Water							
Infrastructure Grant		39 205	79 006	79 006	79006	100%	100%
Water services							
infrastructure Grant							
Rural sanitation							
Massification				25 450	24 471		0.20/
Drought relief Provincial		4 444		35 159	34 471	0	92%
Government:		1 017	_	_			
Airport ACIP		1 017 1 017					
		1017					
District Municipality:		_	_	_			
[insert description]							
Other grant providers:		_	_	_			
[insert description]							
[							
Total Capital Transfers							
and Grants	5	346 878	497 538	524 755	524 716	100%	100%
TOTAL RECEIPTS OF		654 447	834 299	863 566	863 566	100%	100%
TRANSFERS & GRANTS		054 447	034 233	803 500	003 300	100/0	100/0



### Employees: Finance Department

	Employee	Post	Employee	
Position	No.	No.	No.	Vacancies
CFO	1	1	1	0
Deputy CFO's	2	2	2	0
Chief Accountants	4	4	4	0
Accountants	3	3	3	0
Assistant				
Accountants	7	7	7	0
Credit Controller	1	1	1	0
Procurement				
Officer	1	1	1	0
Finance Clerks	4	4	4	0
Meter Readers	11	11	11	0
Cashiers	5	5	5	0
Interns	9	9	9	0
Budget Officer	3	3	2	1
Secretaries	2	2	2	0

# 6.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

The assets management system was effectively implemented during the year. The Fixed Assets Register is in place and is balanced on a monthly basis. Despite the inadequate funding to maintain assets, the assets are in a functional condition.

### COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The maintenance budget is not sufficient. However, every effort is made to keep all assets in a working condition with minimum maintenance.



### ASSESSMENT OF ARREARS

The bulk of service debtors comprises of Indigent debtors that were previously not written off. During the current year council took a decision to write off indigent debtors upon application using indigent registers. This exercise assisted in reducing doubtful debts and the process is ongoing. The collection rate on non-indigent debts is improving.

### COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

# INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The cash flow position has deteriorated but a recovery plan is in place where cash flow is monitored on a daily basis and stringent measures have been put in place to ensure budget savings. The Interim Finance Committee comprising all HODs has been set up and this committee meets every Monday to monitor the projected cash-flow against Actual cash-flow. There is a slight improvement in the cash position at 30 June 2016. In addition, the value of year-end creditors was substantially reduced.

# PUBLIC PRIVATE PARTNERSHIPS

No PPPs were implemented during the year.



### **COMPONENT D: OTHER FINANCIAL MATTERS**

# 6.4 SUPPLY CHAIN MANAGEMENT

ZULULAND DISTRICT

MUNICIPALITY

# SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT

2015/2016

### Contents

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- 2 Introduction 2
- 3 Discussion 156
- 4 Challenges 8
- 5 Legal implications 8
- 6 Approval of the report 9



### 1. PURPOSE OF THIS DOCUMENT

The purpose of this report is to give feedback on the implementation of the supply chain management policy as it was approved by Council for the financial year ended 30 June 2016.

# **2 INTRODUCTION**

The Minister of Finance, acting with the concurrence of the Minister for the Provincial and Local Government, has in terms of section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) promulgated Municipal Supply Chain Management Regulations in Government Gazette No. 27636 dated 30 May 2005.

In terms of Municipal Supply Chain Management Regulations, section 6 (**Oversight role of council of the municipality or board of directors of municipal entity**) states the following:

- (1) The council of the municipality and the board of directors of a municipal entity must maintain oversight over the implementation of its supply chain management policy.
- (2) For the purpose of such oversight the accounting officer must-
  - (a) (i) in the case of a municipality, within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality;

(4) The reports of a municipality must be made public in accordance with section 21A of the Municipal Systems Acts. The reports of a municipal entity must be made public in a similar way

# **3 DISCUSSION**

The Council of Zululand District Municipality (ZDM) adopted an amended Supply Chain Management Policy on the 25 May 2016 (Resolution ZDMC: 16/409). Section 3 of the ZDM Supply Chain Management Policy states that the municipal manager must at least annually review the implementation of this policy and when he/she considers it necessary submit proposals for the amendment of this Policy to the council and that such amendments must comply with Municipal Supply Chain Management Regulations as promulgated in terms of the MFMA.

National Treasury issued the following circulars to enhance compliance with MFMA and outline procedures to be followed in best expenditure management;

- MFMA Circular No. 62 (SCM Enhancing Compliance and Accountability 3 July 2013)
- MFMA Circular No. 68 (UIFW Expenditure Framework dated 10 May 2013)
- MFMA Circular No. 69 (SCM on Local Production and Content dated 22 May 2013)
- MFMA Circular No. 73 (Systems of Delegations dated 13 May 2013)
- MFMA Circular No. 77 (Model SCM Policy for Infrastructure Procurement and Delivery Management dated 26 October 2015)
- MFMA Circular No. 82 (Cost Containment Measures dated 30 March 2016)
- National Treasury SCM Instruction Note Number 4A of 2016/2017 (Central Supplier Database dated 19 May 2016

# 3.1. SUPPLY CHAIN MANAGEMENT UNIT

Municipal Supply Chain Management Regulations, paragraph 7, states that each municipality and each municipal entity must establish a supply chain management unit to implement its supply chain management policy and that unit must where possible operate under the direct supervision of the Chief Financial Officer or official to whom this duty has been delegated in terms of the section 82 of the Act.

ZDM has SCM Unit which operates under the office of the Chief Financial Officer.

The Supply Chain Management Unit is responsible for the following functions:

- Demand management
- Acquisition management



- Logistics management
- Disposal management
- Risk management
- Performance management

## **3.2. SUPPLY CHAIN MANAGEMENT PROCESSES**

#### **Demand Management**

The system of demand management allows for the analysis of proper needs, establishment of a supplier database, implementation of IDP projects and drafting of proper specifications. National Treasury issued MFMA Circular No. 62 on guidelines to be followed on the development and implementation of Procurement Plan for procurements of goods and services for the value above R 200,000.00.

#### **Acquisition Management**

The system of acquisition allows procurement of goods and services within the following ranges:

- Petty cash purchases up to R200
- Verbal or written quotations up to R 2,000
- Three (3) formal written quotations up to R 200,000
- Competitive bidding process for value above R 200,000.

During the current financial year there were no expenditure of goods or services was procured outside an approved relevant budget.

The bid committees are established and its members are duly appointed in writing by the Municipal Manager. The bid committees are:

- ✓ Bid Specification Committee (Chairperson HoD: Planning)
- ✓ Bid Evaluation Committee (Chairperson HoD: Technical Services) and
- ✓ Bid Adjudication Committee (Chairperson CFO)

The composition of the above committees complies with legislated requirements Municipal Supply Chain Management Regulations, paragraph 27(3); 28(2) and 29(2).

#### **Logistics Management**



ZDM maintains supplier database. Prospective service providers are allowed to submit their registration forms anytime for the inclusion into the database. Supplier's database was reviewed in February 2016 for the current financial year. System of logistics management is in place for setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management. Stock take was conducted at year end to reconcile physical stock levels with the financial system (Venus).

### **Disposal Management**

Section 40 of ZDM Supply Chain Management Policy illustrates criteria to be followed during disposal or letting or un-serviceable, redundant and obsolete assets. As stipulated in section 40 of our SCM Policy, 8 council vehicles were disposed by Council through invitation of written price quotations.

### **Risk Management**

Annually as per Risk Management Implementation Plan, ZDM conducts risk assessment in all operating business units (including SCM unit). Risk Assessment for 2015/16 financial year was conducted on 6 July 2015. This process includes identification of risk and development of mitigating measures with the SCM unit.

The following table illustrates risks identified with the SCM function:

No of risk identified	Number of mitigating plans developed and implemented	Status of implementation as at 30 June 2016				
laentmea		Implemented	Not implemented	In-progress		
1	1	-	1	-		

The risk identified above was on the implementation of procurement plan. Management is engaging Provincial Treasury to assist in developing the plan. The process is expected is expected to be finalized during the 2016/17 financial year

### **Tenders Award Reporting**

During the current financial year tenders were awarded to suppliers and reported to Council for oversight purposes. The table below illustrates tenders awarded;



Period	Q1	Q2	Q3	Q4	Total
Amount	69 599 164	179 027 866	256 452 239	8 993 655	514 072 924

### Paragraph 32 appointments

**ZDM Supply Chain Management Policy, paragraph 32 (**Procurement of goods and services under contracts secured by other organs of state) states that

 The municipal manager may procure goods or services under a contract secured by another organ of state, but only if –

(a) The contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state

- (b) There is no reason to believe that such contract was not validly procured
- (c) There are demonstrable discounts or benefits to do so; and

(d) That other organ of state and the provider have consented to such procurement in writing.

In respect of the above provision of the policy, ZDM made no award under paragraph 32 during the current financial year.

#### **Quotations Award Reporting**

Some goods and services were procured through invitation of formal written price quotations. Advertisement for these quotations were placed on the municipality website and official notice board for a period of seven (7) days before the closing date as required by paragraph 18 of the Municipal Supply Chain Management Regulations. These quotations have been reported to Council.

The table below illustrates quotations awarded during the current financial year:

Period	Q1	Q2	Q3	Q4	Total
--------	----	----	----	----	-------



Amount	5 130 198	2 995 023	983 148	1 612 531	10 720 900

### **Deviations (Paragraph 36) Reporting**

Paragraph 36 of the Supply Chain Management Policy allows Municipal Manager to deviate from official procurement processes to procure goods and services through any convenient processes. All reasons for the reported deviations have been approved by the Municipal Manager and thereafter reported to EXCO/Council.

The table below illustrates paragraph 36 expenditure incurred during the current financial year:

Period	Q1	Q2	Q3	Q4	Total
Amount	5 252 755	9 413 237	3 512 484	3 469 164	21 647 640

# 4 COMPLIANCE WITH MFMA CIRCULARS

MFMA Circular 68 (Unauthorized, Irregular and Fruitless and Wasteful Expenditure) set out procedures to be followed in dealing with these types of expenditures. These types of expenditures were identified during the current financial year and all necessary compliance procedures as required by this circular were followed to condone expenditure as resulted.

The table below illustrates the UIFW Expenditure condoned during the year

Expenditure	Condoned	Not condoned
Unauthorised Expenditure	-	-
Irregular Expenditure	302 315	79 863
Fruitless & Wasteful Expenditure	52 906	5 550



MFMA Circular 82 (Cost Containment Measures) dated 30 March 2016 recommends that municipalities adopt this Circular together with Annual Budgets. ZDM has adopted this Circular on 25 May 2016 when its budget was approved, refer ZDMC: 16/410.

National Treasury Instruction Note Number 4A of 2016/2017 (Central Supplier Database) was issued to prescribe the utilization of the mandatory Central Supplier Database (CSD) to Accounting Officers. ZDM has registered on CSD and system user account access has been granted.

# **5 CHALLENGES**

The Municipality has not implemented MFMA Circular 62 (SCM: Enhancing Compliance and Accountability) for the current financial year. The Procurement Plan was not implemented for the financial year as it was indicated under Risk Management paragraph above. Management is engaging Provincial Treasury to get assistance to develop and implement the procurement plan. The process is expected to be finalized 2016-17 financial year.

### 6 LEGAL IMPLICATIONS

The report is compiled as required in terms of Paragraph 6 of the Municipal Supply Chain Management Regulations as promulgated by Municipal Finance Management Act No. 56 of 2003.

# **Audit Committee Report**

### Members of the audit committee:

### 1. Introduction

In terms of section 62(1)(c) of the Municipal Finance Management Act (MFMA), No.56 of 2016, the Municipal Manager is the Accounting Officer and is responsible for managing the financial administration of the municipality. The Audit Committee is appointed in terms of Municipal Legislation, to assist and to advice the Mayor, Speaker and Municipal Manager of the Municipality. It is afforded wide power and obligation in terms of section 166 of the Municipal Finance Management Act. This report documents the activities of the Audit Committee sitting as a shared service for the Zululand District Municipality for the 2015/2016 financial year.



### 2. Members and Meetings of the Audit Committee

Mr. P. Mntambo (MBA) – Audit Committee ChairpersonMr. M.C. Ndwandwe (Bcom) – Audit Committee MemberMr. M. Ngcobo (Town Planner) – Audit Committee Member

In terms of the MFMA and the Zululand District Municipality's Audit Committee Charters, the Audit Committee as at the 30 June 2016, included two external independent members. None of the members were Councillors. The membership composition of the Audit Committee does not include the Municipal Manager. The Audit Committee included the members listed above and meets at least four (4) times per annum as per its approved Charter and twice a year as a Performance Audit Committee and did so, for the year, to discharge its responsibilities.

Meetings of a more informal nature with the Mayor/Speaker/Deputy Mayor and Senior Councillors took place from time to time. These meetings included ongoing assessment of statutory compliance, risk in respect of the Municipality' and considered the Municipality's financial position.

The Audit Committee also sat as a Performance Audit Committee for performance audits in respect of Section 40, 41, 43 and 46 of the Municipal System Act (MSA).

Councillors, unless specifically invited, are excluded from meetings. The Chairman directs the pace and length of discussion and maintains his independence at all times. Members feel comfortable in discussing issues, questioning management as well as referring to COGTA and the Audit General (who are standard invitees to all meetings), for comment and advice, and initiating discussions with adequate opportunity to discuss issues and ask probing and/or challenging questions of management and other employees where necessary.

Audit Committee members respect and maintain the confidentiality of meetings, the agendas with the Political Leadership, management, internal audit and the external auditors.



Audit Committee members carefully reviewed and approved draft meeting minutes to ensure they captured the essence of issues and discussion. Committee member met with the Manager: Internal Audit, the Municipal and the Committee Chairperson between meetings if issues or concerns arose. An atmosphere of mutual trust and respect exists between the Audit Committee and Municipality Management while maintaining a spirit of healthy scepticism and independent.

### 3. The Audit Committee's Responsibilities and findings

The Audits Committee responsibilities are outlined in section 166(2) of the MFMA. The internal and external Audit Committee Charters were reviewed by the Audit Committee and recommendation were made to enhance the independence of the Audit Committee in line with King III on corporate Governance. In discharging its responsibilities for the year ended 30 June 2016 the Audit Committee completed the following:-

### **3.1 Audit Committee Meetings**

- Reviewed the quality of the financial information, financial statements and other statutory/public and regulatory reporting was tabled before the Audit committee;
- Reviewed the draft annual report financial statements and the draft Performance audit information prior to submission to council and them the Auditor-General and made recommendations on enhancing the quality of disclosure;
- Reviewed the draft annual financial statements and performance information to ensure they present a balanced credible and understanding assessment of the position, performance and prospects of the municipality;
- Reviewed the Auditor General's proposed audit report in relation to the year ended 2016;
- Discussed problems and reservation arising from the audit, and any matters the A.G wished to discussed;
- Reviewed the Auditor General's management response with regard to the corrective action to be undertaken in response to significant internal audit findings;
- Identified key matters arising in the prior year's management letter and satisfied itself that they were being properly followed up;
- Reviewed and recommended the internal Audit Plan.



### 3.2 Performance Management

The Audit Committee, sitting as a performance Audit Committee, considered matters relating to performance management in order to discharge the responsibilities prescribed in terms of regulation 14(4) of the Local Government: Municipal Planning and performance Management Regulations, 2001.

These responsibilities include:

- A review of the quarterly reports submitted by internal audit.
- Understanding the planning and performance Management Regulations.
- Reviewed the performance management system and tested the functionality thereof and compliance with the Municipality System Act and the MFMA.
- Focused on the economy, effectiveness, efficiency, reliability and impact applicable to the Municipality's own key performance indicators.
- Considered the application of Section 40, 41, 43 and 46 of the MSA, with reference to the I.D.P and the shortcomings of the Municipality in this regard and reviewed same prior to submission to the Council and the Audit General.
- Established that there has (as in the past years) been pervasive failure by the Municipality to comply with section 40, 41,43 and 46 of the local Government: Municipal System Act in that the reporting in respect of the integrated Development Plan ("IDP") has been found to be inconsistent with the objectives, indicators and targets in the approved annual performance plan. This was noted with concern, aware that the Auditor General would make an adverse finding, which it did. The Auditor General has found that the cause of the inconsistency is due to inadequate review of reports before submission.
- Performance Management does not provide credible information indicating or giving assurance that Performance Management is receiving attention.

3.3 Leadership

3.3.1 The Municipal continues to operate within a sound and harmonious leadership framework. There is synergy and respect which begins at a political level and which permeates through to an operational level within the Municipality.



- 3.3.2 In Financial Management the Municipality remains very strong. There were issues raised by the Auditor General and in procurement. None of these impacted materially on the Municipality. Management must strengthen tender procedures.
- 3.3.3 There are certain areas on which the Municipality needs to focus. The first of those is an area of IT which is a challenging and evolving field which the Municipality is dealing with purposefully at the time of completion of this report.
- 3.3.4 The second of these issues is that of performance management. Regrettably the Municipality has performed disappointingly in this sphere, notwithstanding much attention and assistance given to the area by both the Audit Committee and by representatives of Co-Operative Governance and Traditional Affairs (CoGTA)
- 3.3.5 Consequently, the Auditor General found that the Municipality had failed to implement and maintain the disclosed measured resolved upon to improve its performance and its evaluation of its own performance and to manage its own performance evaluation.
- 3.3.6 This contributed to the resultant Audit Report with an emphasis of matter and requires special and ongoing attention by the Municipality during the next financial year. This matter was extensively deliberated upon by audit committee calling for strenuous remedial measures.

### 3.4 Internal Control and Internal Audit

The External Audit Committee is responsible for monitoring and advising in respect of the effective functioning of the Internal Audit Committee and administratively to the Accounting Officer.

The Accounting Committee:-

- Has direct access to internal Audit through a reporting relation with Internal Audit thus supporting its independence from management.
- Via the chairperson has conducted regular private telephone calls and exchanged emails, and meetings with the manager of internal audit to allow for frank discussion of issues and concerns.



- Evaluated the performance of internal audit and the independence and effectiveness of the internal auditors.
- Understand the scope of internal and external auditor's reviewed of internal control over financial reporting, and obtain reports on significant finding and recommendations, together with management's responses.
- Evaluated control over the overall operational and financial reporting environment and reviewed the effectiveness of the internal control.
- Assessed the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources.
- Reviewed and approved the internal Audit Charter, Internal Audit Plans and Internal Audit's conclusions with regard to internal control.
- Frequently discussed matters with respect to risk assessment and asset management.
- Discussed at length the persuasive flaws in performance management.

### 3.5 Compliance and Ethics

From a review of various reports and discussions held at Audit Committee meeting the Audit committee noted that a Fraud Prevention Strategy was in place and a code of conduct for municipal staff in terms of the Municipal Systems Act was applied by the municipality. The Audit Committee is satisfied that it has complied with its responsibilities. It has reviewed the effectiveness of mechanisms for the identification and reporting of compliance with laws as set out in the predetermined Internal Audit Plan and regulations; and the findings of regulatory bodies or audit observations. It must be stated, however, that fraud is very difficult to detect at every level.

# 3.6 Section 71 (of the MFMA) Management Report

This is required at each Audit Committee meeting from the chief Financial Officer. It is most helpful in providing a contemporaneous indication of the financial health and state of the Municipality at any given time. The Audit Committee recommends that monthly section 71 Management reports also be submitted to the council during the year.



### 3.7 In-year Consideration of the Auditor General's Reports

The quarterly performance management reports (PMS), the budget and SDBIP, internal Audit reports and the Annual Performance Reports have called for by the Audit Committee. The Audit Committee reviewed these reports and was not satisfied with some of the content and quality of these reports prepared in respect of performance management and issued on behalf of the Accounting Officer and management during the year under review and the minutes of the External Audit Committee reflect this.

### 3.8 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 areas of concerns which required Internal Audit and Management high levels of attention:

- Ethics
- Asset Management Review
- Bi-annual reviews of performance management
- Cash flow Management Review
- Financial Discipline Review
- Overtime
- Rates Revenue
- Follow up Review: Revenue Management
- Information Technology General Controls Reviews
- Supply chain management Discipline Review
- Corrective Action Plans: A-G Management Report & Audit Reports
- Section 36 and 17 (1)(c) of supply chain Management Regulation
- Annual Financial Statements
- Fraud Prevention
- Statutory compliance
- Risk Management
- Performance Management
- Internal Audit Plan

An annual assessment of the internal Audit Function had been completed by the Audit committee. The External Audit Committee is satisfied with the performance of the Internal



Audit function and report that all project in terms of the approved risk based annual Audit plan had been adequately provided to the Audit Committee as required by law. The plan comprising of the approved projects for the Financial Year 2015-16 and its status of attention is reported upon in the Internal Audit Report within the Annual report under the auspices of the Municipal Manager.

### 4. Evaluation of Annual Financial Statement

The Audit Committee has reviewed the credibility, the draft annual financial statement and the Municipalities Performance Management for the year ended 30June 2016 prior to same being submitted to the Auditor General on the 31 August 2016. The Committee reviewed the accounting policies and practice and evaluated the draft annual financial statement based on the information provided to the committee and considered the integrity of the said statements complying in all material respects with the requirements as well MFMA and Treasury Regulations as well as the statements of Generally Recognition Accounting Practice (GRAP).

The committee will also, in the following financial year review and interrogate the audited financial statement together with the report of the Auditor General and the related management letter and audit finding with management responses and required corrective action. This provides the Municipal Council with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness on overall compliance with the MFMA and any other applicable legislation for formally notes the favourable state of the Municipalities' Financial position.

### 5. Audit Report outcome

The municipality has maintained its unqualified audit opinion for 30<sup>th</sup> June 2016 and the Audit Committee concur with the outcome. However, there were some matters that affects the report in order to attain clean audit. The Audit Committee will ensure that those risk areas identified will be mitigated during 2017/2018.



### 6. Conclusion

The audit committee would like to thank the municipality Executive Mayor, Honourable Councillors, Municipality Manager, Head of Departments, Management and Staff of Zululand District Municipality for their contribution to the audit committee in to discharge our responsibility successfully.

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Phumlani Mntambo

Audit Committee Chairperson

### **CHAPTER 6.5**

# VOLUME II: ANNUAL FINANCIAL STATEMENTS AND AUDIT REPORT

The 2015/2016 Annual Financial Statements and audit report are attached below:



Annual Financial Statements for ZULULAND DISTRICT MUNICIPALITY for the year ended 30 June 2016					
Province:			KwaZulu Natal		
	Contact Info	ormation:	]		
Name of Municipal Manager:	J.H. DE KLERK				
Name of Chief Financial Officer:	S.B. NKOSI				
Contact telephone number:	358 745 500				
Contact e-mail address:	mm@zululand.org.za				
Name of contact at provincial treasury:	NOMFUNDO SHONGWE				
Contact telephone number:	033 897 4423				
Contact e-mail address:	nomfundo.shongwe@kzntreasury.g	<u>ov.za</u>			
Name of relevant Auditor:	Auditor General				
Contact telephone number:	332 647 400				
Contact e-mail address:	<u>JonathanS@agsa.co.za</u>				
Name of contact at National Treasury: Contact telephone number: Contact e-mail address:	Unathi Ndobeni 012 315 5103 unathi.ndobeni@treasury.gov.za				

#### ZULULAND DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2016

#### **GENERAL INFORMATION**

#### MEMBERS OF THE COUNCIL

1 Cllr MA Hlatshwayo 2 Cllr V O Mbuyisa 3 Cllr SE Qwabe 4 Cllr S Ntombela 5 Cllr B B Zwane 6 Cllr ME Khumalo 7 Cllr S E Nkwanyana 8 Cllr SR Nkosi 9 Cllr M M Mntungwa 10 Cllr M B Mabaso 11 Cllr ZS Buthelezi 12 Cllr R B Mhlungu 13 Cllr N J Mjaja 14 Cllr Z Siyaya 15 Cllr T B Lukhele 16 Cllr SJ Zulu 17 Cllr BJ Mncwango 18 Cllr BC Nhlabathi 19 Cllr KE Nxumalo 20 Cllr IA Mbatha 21 Cllr NM Nhlabathi 22 Cllr RM Zulu 23 Cllr MT Lushaba 24 Cllr NF Zulu 25 Cllr MS Ntshangase 26 Cllr ISM Hadebe 27 Cllr ME Buthelezi 28 Cllr Mkhize TK 29 Cllr Ximba SP 30 Cllr TL Khumalo 31 Cllr PTAN Buthelezi 32 Cllr LS Dumakude 33 Cllr N Xaba 34 Cllr TJ Khumalo 35 Cllr Dlamini QM

Mayor Speaker Deputy Mayor Member of the Executive Committee Member 
Member

### ZULULAND DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2016

General information (continued)

**Municipal Manager** 

J.H. de Klerk

**Chief Financial Officer** 

S.B. Nkosi

**Grading of Local Authority** 

4

Auditors

Auditor-General South Africa

Bankers

ABSA Bank Limited

**Registered Office:** 

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

ZULULAND DISTRICT MUNICIPALITY

B-400 GAGANE STREET ULUNDI 3838

PRIVATE BAG X76 ULUNDI 3838

035 874 5500 035 874 5589/91

mm@zululand.org.za

### ZULULAND DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2016

#### Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages **4 to 52**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

nhin

Acting Municipal Manager: Mr S B Nkosi

31 August 2016

# ZULULAND DISTRICT MUNICIPALITY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

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STATEMENT OF F	FRICT MUNICIPA FINANCIAL POSI 1) June 2016		
as at st	Note	2016	2015
		R	R
ASSETS			
Current assets	<u> </u>	50 665 291	33 034 742
Cash and cash equivalents	2	6 000	6 000
Trade receivables from exchange transactions	3.1.	12 198 989	8 103 144
Other receivables from exchange transactions	3.2.	207 762	177 118
Other receivables from non-exchange transactions	4 & 38	5 538 033	12 956 283
Inventories	5	4 066 850	5 507 329
Prepayments	6	922 664	759 931
VAT receivable	13	27 724 994	5 524 936
Non-current assets		2 586 974 674	2 262 620 865
Non-current receivables	7	6 229 693	5 224 345
Property, plant and equipment	8	2 579 189 307	2 255 671 316
Heritage assets	9	1 151 452	1 151 452
Intangible assets	10	404 222	573 752
Defined benefit plan asset	52		
Total assets		2 637 639 965	2 295 655 606
LIABILITIES			
Current liabilities		120 977 644	140 615 298
Trade and other payables from exchange transactions	s 11	60 071 753	76 632 228
Consumer deposits	12	3 334 106	3 329 844
Current provisions	14	10 554 390	14 959 244
Bank overdraft	2	33 437 872	45 486 859
Vat Payable	12		+0 +00 000
Payables from non-exchange transactions	15	13 579 523	207 123
Non-current liabilities		19 562 420	15 738 325
	17	2 420	5 325
Rental deposits held	17		
Post retirement benefit obligations	39	19 560 000	15 733 000
Total liabilities		140 540 063	156 353 622
Net assets		2 497 099 902	2 139 301 984
NET ASSETS			
Accumulated surplus / (deficit)		2 497 099 902	2 139 301 984
Total net assets		2 497 099 902	2 139 301 984

ZULULAND DIST STATEMENT OF FIN. for the year en			
	Note	2016	2015 R
Revenue from Exchange Transactions		33 510 640	43 547 912
Service charges	18	25 445 343	29 948 179
Rental of facilities and equipment	19	168 908	178 377
Interest earned - external investments	20	3 617 095	2 037 921
Other revenue from exchange transactions	23	4 279 294	3 701 241
Reversal of contribution to doubtful debts	3		7 682 194
Revenue from Non-Exchange Transactions		862 928 809	659 487 058
Government grants and subsidies received	22.1	862 901 048	659 449 094
Other revenue from non-exchange	22.2	27 761	37 964
Total revenue		896 439 449	703 034 970
Expenses			
Employee related costs	24	153 875 023	144 055 908
Remuneration of councillors	25	6 634 007	6 221 335
Contribution to Doubtful debts	3	3 637 349	-
Depreciation and amortisation expense	26.1	53 097 602	45 070 211
Repairs and maintenance	26.2	29 008 536	41 115 042
Bad debts	50	1 344 707	8 246 053
Employee benefits	39	3 827 000	15 733 000
Bulk Water purification and Sewer Treatment	28	68 954 292	74 180 428
Contracted services	29	16 206 932	14 862 961
Grants and subsidies paid	30	-	200 000
General expenses	31	202 136 693	204 716 127
Total expenses		538 722 141	554 401 066
Gains on sale of assets	32	83 837	167 119
Financial Loss Recovered	42	00 001	1 097 113
Surplus / (deficit) for the period	74	357 801 145	149 898 135

# ZULULAND DISTRICT MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS for the year ended 30 June 2016

DETAILS		Accumulated Surplus/(Deficit)
	Note	R
Balance at 30 June 2014		1 995 801 301
Correction of prior period error	38	627 944
Restated Balance at 30 June 2014		1 996 429 245
Transfers to accumulated surplus		517 785
Surplus / (deficit) for the period - 2014/15		149 898 135
Balance at 30 June 2015		2 146 845 166
Correction of prior period error	38	(7 543 182
Restated Balance at 30 June 2015		2 139 301 984
Other movements Surplus / (deficit) for the period		(3 227 357 801 145
Balance at 30 June 2016		2 497 099 902

	ND DISTRICT MUNICIPALI SH FLOW STATEMENT	IY					
	year ended 30 June 20	16					
Note 2016 2015							
		R	R				
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts		869 944 335	686 563 006				
Cash Received from consumers, government and other	33	869 944 335	686 563 006				
Payments		(488 973 991)	(510 894 451)				
Cash Paid to employee costs, supplier and other	33	(488 973 991)	(510 894 451)				
Net cash flows from operating activities	33	380 970 344	175 668 555				
CASH FLOWS FROM INVESTING ACTIVITIES							
Net cash flows from investing activities		(372 748 357)	(231 383 061)				
Purchase of Property, Plant and Equipment		(376 590 063)	(233 345 000)				
Proceeds from sale of Property, Plant and Equipment		224 611	395 346				
Interest on Call Deposit Accounts		3 617 095	2 037 918				
Purchase of intangible assets		-	(471 325)				
CASH FLOWS FROM FINANCING ACTIVITIES		3 827 000	15 733 000				
		3 827 000	15 733 000				
Increase in post retirement benefit obligations							
Increase in post retirement benefit obligations	_	12 048 987	(39 981 507)				
Increase in post retirement benefit obligations Net increase / (decrease) in net cash and cash equivalents	_	12 048 987 12 048 987	(39 981 507) (39 981 507)				
	Γ						

158 000 1 000 000 834 199 000	2 2016 31 668 405 158 000 1 000 000	Adjustments -6 223 062 1 071 000	Final Budget 2016 25 445 343 158 000 2 071 000	Difference -0 -0 10 908	Budget was based on the last financial
31 668 400 158 000 1 000 000 834 199 000	31 668 405 158 000 1 000 000	-6 223 062	25 445 343 158 000	-0 10 908	Budget was based on the last financial
31 668 400 158 000 1 000 000 834 199 000	31 668 405 158 000 1 000 000	-6 223 062	25 445 343 158 000	-0 10 908	Budget was based on the last financial
158 000 1 000 000 834 199 000	158 000		158 000	10 908	Budget was based on the last financial
158 000 1 000 000 834 199 000	158 000				
1 000 000 834 199 000	1 000 000	1 071 000			year's actual.
834 199 000		1 071 000	2 071 000		
834 199 000		1 071 000	2 071 000		1
834 199 000		1 071 000	2 071 000		Interest is based on estimated capital
	834 199 000			1 546 095	investments that fluctuate during the ye
	834 199 000		l		
	83/ 100 000				
	834 199 000				
		29 367 118	863 566 118	-665 070	
	004 100 000	29 307 110	803 300 118	-003 070	
					Due to the appropiation of accumulated
95 356 784	95 356 784	42 848 207	138 204 991	-133 897 936	
	962 382 190	67 063 263	1 029 445 453	133 006 004	
	002 002 100	0.000200		-	
			-		
					savings was reallocated to salaries to c
					for salaries morethan budget and it
	149 580 695	12 997 496	162 578 191	8 703 168	
6 175 455	6 175 455	150 000	6 325 455	-308 552	
			-	-1 344 /0/	Based on actual debt impairment
					Other Assets are purchased at differen
					intervals during the year and some we
					not capitalised since they are still in
	32 565 000	16 100 000	48 665 000	-4 432 602	
34 035 000	34 035 000		34 035 000		Savings achieved
-	-	-	-	-3 827 000	No budget for employee benefits
					bulk water purchases is fully spent as
					results of refurbishment works conduct
					at the plants. The firgure on the AFS
	84 868 000	-5 000 000	79 868 000		exclude VAT but Budget include VAT
13 348 000	13 348 000	5 763 182	19 111 182	2 904 250	There are savings in the budget
					Funded organisations could not prove
4 004 000	1 861 000	-1 831 000	30 000	30 000	year expenditure and it was agreed th money will not be transferred
1001000	1001000	-1631000		30 000	money will not be transferred
				•	
					Rural sanitation budget is not allocated
					operating budget since its capital in na
					but does not qualify to be an asset, the
					resulted to the expenditure being oper
136 563 040	136 563 040	7 289 827	143 852 867	-58 283 826	
	458 996 190	35 469 505	494 465 695	-40 619 097	and models in the interiour performance
-100 330 130	400 000 190	00 403 303	403 033	-+0 013 031	+
503 386 000	503 386 000	31 593 758	534 979 758	173 625 100	
		503 386 000	503 386 000 31 593 758	503 386 000 31 393 / 58 334 9/9 / 58	505 386 000 31 595 756 534 979 756 173 625 100

# 1 ACCOUNTING POLICIES

### 1.1 BASIS OF ACCOUNTING

### 1.1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act.(Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied except where a transitional provision has been granted are disclosed below.

#### **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

### Impairment testing

The recoverable amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. if there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. they are significantly affected by number of factors.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Current Provisions.

#### **1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. The assessment is disclosed in AFS note 51

### **1.4 COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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:

The presentation and classification of items in the current year is consistent with prior periods.

#### 1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards of GRAP have been issued by the Accounting Standards Board but have not been given an effective date by the Minister of Finance. The entity has not earlyadopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

Standard number	Standard name	Effective date (if applicable)
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concessions Arrangement Grantor	No effective date
GRAP 105	Transfer of Functions Between Entities Under Common Control	No effective date
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No effective date
GRAP 107	Mergers	No effective date
GRAP 108	Statutory Receivables	No effective date

# **GRAP 18: SEGMENT REPORTING**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

### **GRAP 20: RELATED PARTY DISCLOSURES**

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

It is unlikely that the standard will have a material impact on the municipality's financial statements. For the year under review, the municipality has applied IPSAS 20.

### **GRAP 25: EMPLOYEE BENEFITS**

The objective of this standard is to prescribe the accounting and disclosure for employee benefits. The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013. The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

# **GRAP 31: INTANGIBLE ASSETS**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

There is no impact of the standard on adoption.

### GRAP 105: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

### GRAP 106: TRANSFERS OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities not under common control.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

### **GRAP 107: MERGERS**

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

Impact on the municipality's financial statements once implemented:

# 1.6 PROPERTY, PLANT AND EQUIPMENT

### 1.6.1 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 or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. 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. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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. The major components are depreciated separately over their useful lives.

Where an asset is acquired by the municipality for no 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.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) 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.

# 1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.6.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the an assets' residual value where applicable.

The annual depreciation rates are based on the following estimated average asset lives: Infrastructure

Water	15-70 years
Sewerage	15-70 years
	-
Community	
Buildings	30 years
Recreational Facilities	20-30 years
Finance lease assets	
Office equipment	5 years
	,
Other	
Buildings	30 years
Specialist vehicles	7 years
Other vehicles	7 vears

 Other vehicles
 7 years

 Office equipment
 3-7 years

 Furniture and fittings
 7 years

 Emergency equipment
 10 years

 Computer equipment
 5 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Land is not depreciated as it is deemed to have an indefinite life.

# 1.6.4 DERECOGNITION

Items of Property, plant and equipment 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.7 HERITAGE ASSETS

### 1.7.1 INITIAL RECOGNITION

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

# 1.7.2 MEASUREMENT AT RECOGNITION

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

# 1.7.3 SUBSEQUENT MEASUREMENT

The municipality uses either cost model or revaluation model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirement of heritage asset and can be measured reliable. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

If the municipality re-values heritage asset, the entire class of heritage assets to which that asset belongs is re-valued. The surplus or deficit realised during revaluation is either credited or debited against the revaluation surplus account.

Heritage assets are not depreciated; however the municipality assesses impairment to all heritage assets at each reporting date.

### 1.7.4 DE-RECOGNITION OF HERITAGE ASSETS

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the Statement of Financial Performance.

# 1.7.5 TRANSITIONAL PROVISIONS

The municipality utilises the transitional provisions under Directive 4, which allows three (3) years for the measurement of heritage assets.

# 1.8 INTANGIBLE ASSETS

### 1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use;
- it is technically feasible to complete the intangible asset;
- · the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible 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.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

# 1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

# 1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives: Computer software 5-7 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

# 1.8.4 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.

#### 1.9 INVENTORIES

#### 1.9.1 INITIAL RECOGNITION

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition. Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

# 1.9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any writedown of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.10 NON-CURRENT ASSETS HELD FOR SALE

# 1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### 1.10.2 MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.10.3 DERECOGNITION

Non-current assets and disposal groups held for sale are derecognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal groups. Gains / loss that result from the derecognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the derecognition

### 1.11 INVESTMENT PROPERTY

# 1.11.1 INITIAL RECOGNITION AND MEASUREMENT

Investment property includes property 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 the sale of an asset in the ordinary course of operations. Investment Property is initially recognised when future economic benefits or service potential are probable and the cost or fair value can be determined reliably. At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

# 1.11.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Investment Property is stated 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 estimated 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 Financial Performance.

# 1.11.3 IMPAIREMENTS

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

# 1.11.4 DERECOGNITION

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

# 1.12 BIOLOGICAL ASSETS

# 1.12.1 RECOGNITION

Biological assets that are not managed as part of an agricultural activity are accounted for as property, plant and equipment where they are expected to be used for longer than 12 months (refer to accounting policy for property, plant and equipment).

Biological assets that are managed as part of an agricultural activity, and agricultural produce are recognised when:

- o The entity controls the asset; and
- o Future economic benefits or service potential from the asset is probable; and
- o The fair value or cost of the asset can be determined.

# 1.12.2 MEASUREMENT

Biological assets are measured at fair value less estimated point-of-sale costs at initial recognition as well for subsequent reporting periods. Agricultural produce (as harvested from biological assets) are recognised at the point of harvest. Accordingly, agricultural produce is measured at fair value less point-of-sale costs at the point of harvest. When this agricultural produce is transferred to inventory (for the purpose of consumption or resale) the fair value less point-of-sale costs, becomes the cost of the agricultural produce inventory.

Where there is no active market for biological assets and it is not possible to determine the fair value of the biological assets reliably through the use of other valuation techniques, the biological assets are measured at cost less accumulated depreciation and accumulated impairment losses. Should the fair value of the biological asset become available or reliably determinable in subsequent periods, the biological asset will be measured at its fair value less point-of-sale costs

When measuring the biological asset at fair value less point-of-sale costs at initial recognition a gain arises on that asset. This gain is recognised in surplus or deficit for the period during which the biological asset was initially recognised. Any subsequent changes to the fair value less point-of-sale costs (which arise as a result of re-measurements at subsequent reporting dates) are also recognised in the surplus or deficit for the period.

The gain or loss that arises on the initial recognition of agricultural produce at fair value less point-of-sale costs is also recognised in surplus or deficit in the period that it arises.

### 1.12.2 DERECOGNITION

Agricultural produce is derecognised at the point of reclassification to inventory. As the fair value less point-of-sale costs becomes the cost of the inventory, no gain or loss is derecognised at the point of reclassification.

Biological assets are derecognised when the entity disposes thereof or when it is no longer probable that future economic benefits or service potential will be generated from the biological asset. Any gain or loss that arises at the point of derecognition is recognised in surplus or deficit at the point of derecognition.

# 1.13 FINANCIAL INSTRUMENTS

# 1.13.1 INITIAL RECOGNITION

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost

# 1.13.2 MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP 104 Standard on Financial Instruments, is in accordance with IAS 39.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

# 1.13.3 IMPAIREMENTS

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

# 1.13.4 RECOGNITION

A financial asset is derecognised at trade date, when:

The cash flows from the asset expire, are settled or waived;

a) Significant risks and rewards are transferred to another party; or

b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

# 1.9 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments 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. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

# 1.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at yearend. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

# 1.11 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

# 1.12 CASH AND CASH EQUIVALENTS

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 into known amounts of cash, 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, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

# 1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, 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.

#### 1.14 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.

### 1.15 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.

#### 1.16 LEASES

### 1.16.1 MUNICIPALITY AS LESSEE

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 or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight line basis over the term of the relevant lease.

#### 1.16.2 MUNICIPALITY AS A LESSOR

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### 1.17 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 date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### 1.18 REVENUE

#### 1.18.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by the council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

### 1.18.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

# 1.18.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

# 1.19 BORROWING COSTS

Borrowing cost are recognised as an expense in Statement of Financial Performance in the period they become due and payable.

# 1.20 EMPLOYEE BENEFITS

#### Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### **Defined Contribution Plans**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

### Defined Benefit Plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

#### Pension obligations

The Municipality's personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multiemployer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

### **Municipal Councillors**

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

#### Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality , a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

### 1.21 VAT

VAT is accounted for on the payment basis i.e. VAT is paid over to SARS only once payment is received from debtors and/ or when actual payment is made to creditors.

# **1.22 BUDGET INFORMATION**

The annual budget figures have been prepared in accordance with the GRAP 24. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2015 to 30 June 2016.

# **1.23 CAPITAL COMMITMENTS**

Most of infrastructure projects are multi-year projects that requires budget funding over certain period of years. At year-end reporting date some funds are committed and contract signed with various contractors to carry out construction of infrastructure projects. Some funds are committed but not yet contracted for. Committed amount is net of VAT.

# 1.24 NON-CASH-GENERATING ASSETS

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cashgenerating assets. GRAP 21 is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

	Note	2016 B	<u>2015</u> R
2 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following: Cash on hand Call deposits		6 000	6 000
		6 000	6 000
The Municipality has the following bank accounts: -			
Current Account (Primary Bank Account)			
ABSA BANK-KZN Public Sector Branch: 4047162045			
Cash book balance at beginning of year		(45 486 859.0)	(5 499 352)
Cash book balance at end of year		-33 437 872.45	-
Bank statement balance at beginning of year			11 200 997
Bank statement balance at end of year			<u> </u>
Cash on hand		6 000	6 000
Total cash and cash equivalents		6 000	6 000
Total bank overdraft		33 437 872	45 486 859
Call Accounts Absa Bank (20-7293-6439) First National Bank (IDS3607016) Standard Bank (9864660) Investec Total		-	- - - -
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS <u>Trade receivables</u> as at 30 June 2016	Gross Balances R	Provision for doubtful Debts R	Net Balance R
Service debtors (Water and Sanitation)	72 199 357	60 000 368	12 198 989
Total	72 199 357	60 000 368	12 198 989
as at 30 June 2015			
Service debtors (Water and Sanitation)	64 466 163	56 363 019	8 103 144
Total	64 466 163	56 363 019	8 103 144
	64 466 163	56 363 019	8 103 144
	24		

21

	Note	<u>2016</u> R	<u>2015</u> R
Water and Sewerage: Ageing			
Current (0 – 30 days)		5 189 669	2 686 613
31 - 60 Days		2 652 065	1 765 851
61 - 90 Days		1 230 273	1 719 592
91 - 120 Days		1 600 580 61 526 770	1 592 412
121 - 365 Days + 365 Days		01 520 / 70	9 677 446 47 024 249
Total	-	72 199 357	64 466 163
Summary of Debtors by Customer Classification	Consumers	Industrial/Commercial	National & Provincial Government
		R	R
as at 30 June 2016			
Current (0 – 30 days)	3 571 945	459 710	1 158 014
31 - 60 Days	1 866 836	199 459	585 770
61 - 90 Days	890 843	81 784	257 646
91 - 120 Days	1 097 935	210 816	291 829
121 - 365 Days	53 871 774	799 950	6 855 046
+ 365 Days Sub-total	61 299 333	- 1 751 719	9 148 305
Less: Provision for doubtful debts	01 299 333	1751719	9 140 303
Total debtors by customer classification	61 299 333	1 751 719	9 148 305
as at 30 June 2015			
Current (0 – 30 days)	1 179 772	600 913	905 928
31 - 60 Days	941 868	308 320	515 663
61 - 90 Days 91 - 120 Days	973 638 937 708	264 356 374 090	481 598 280 615
121 - 365 Days	7 546 429	1 026 436	1 104 581
+ 365 Days	43 150 838	1 183 754	2 689 656
Sub-total	54 730 252	3 757 869	5 978 042
Less: Provision for doubtful debts			
Total debtors by customer classification	54 730 252	3 757 869	5 978 042
3.1. Reconciliation of the doubtful debt provision			
Balance at beginning of the year		56 363 021	64 045 215
Contributions to provision		3 637 349	-
Reversal of provision Total	-	60 000 370	(7 682 194) 56 363 021
Balance at end of year	-	60 000 370	56 363 021
	-	00 000 370	30 303 021
Trade and other receivables past due but not impaired			
Trade and other receivables which are regular payers with amounts owing less than 60 days past due are not considered to be impaired. At 30 June 2016, R12 198 989- (2015: R8 103 144) were past due but not impaired.			
The ageing of amounts past due but not impaired is as follows:			
Less than 60 days past due		3 237 428	1 304 452
Less than 180 days past due	_	8 961 560	6 798 692
	-	12 198 989	8 103 144
	22		

		Note	2016 R	<u>2015</u> R
Trade and other rec	eivables impaired		ĸ	ĸ
As of 30 June 2015, t	rade and other receivables of R56 363 021 - (2015: R56 363			
019) were impaired a	nd provided for.		60 000 370	56 363 021
	eceivables is as follows:			
3 to 6 months			6 599 613.57	5 072 463
Over 6 months			53 400 754.36	51 290 559
The fair value of trade	and other receivables approximates their carrying amounts.			
3.2. OTHER RECEIVABL	ES FROM EXCHANGE TRANSACTIONS			
Debtor: Ondini Motor	3		5 606	
Debtor: Avis			14 751	5 364
Debtor: Waphatha Gr			12 184	18 774
Debtor: Imbali Elegar			32 184	16 092
	Elecotoral Commission (IEC)		-	-
Debtor: WSSA			6 149	-
Debtor: BP Drakensb	urg		136 888	136 888
Total			207 762	177 118
	ES FROM NON-EXCHANGE TRANSACTIONS vestment (Call accounts)			13 631
Debtor: Babazile Mpa			179 300	13 03 1
Debtor: WSSA	128		-	-
Debtor: BG Shawe				
Debtor: B Mthabela			20 000	
Debtor: S S Nkambul	9		5 710	17 740
Debtor: ISM Hadebe			-	23 043
Debtor: Mthethwa TV	Group Life		-	-
Debtor: JB Dlamini			18 440	18 440
Debtor: Natal Spa			-	
Debtor: Insurance Cla	im		202 679	202 679
Debtor: Ulundi Munic			503 854	-
Debtor: Dumbe Muni			369 621	-
Debtor: Abaqulusi Mu			519 266	
Debtor: Nongoma Mu			304 255	-
Debtor: Federal Air Line	95		-	-
Debtor: Nevlyn M			3 000	-
Debtor: KZN Aviation			-	-
Debtor: SCN Zungu			4 957	-
Debtor: Young Mzizi	· · · · ·		9 600	-
Debtor: Pongola Mun			235 609	-
Debtor: ZM Ngwenya			-	347
Bursary debtors Debtor: ABSA Bank			- 2 234	6 260 7 604
Debtor: ABSA Bank Debtor: Water Affairs			2 234 3 078 630	7 604 12 666 538
Bursary Debtor			5 0/8 630	12 000 538
Fleet: Suspense			-	-
Other Debtors (Accri	ed income)		80 878	
Total	ica meaney		5 538 033	12 956 283
Adjusted for Correcti	on of Error (Note 38)		-	-
Total Other Debtors			5 538 033	12 956 283

# 5 INVENTORY

Closing balance of inventories:		
Consumable store & water stock	3 876 387	5 201 962
Fuel Stock	190 463	305 368
Total Inventory	4 066 850	5 507 329

Water stock is measured at tarif charge rate as determined by Council for the financial year. Net reliasable value cannot be determined since it requires a determination of cost of production that includes direct and production overhead costs that are based on normal operating capacity of bulk reservour. The normal operating capacity of bulk reservour cannot be determined.

### 6 PREPAYMENTS

Prepaid expenses Federal Air deposit	232 744 689 920	70 011 689 920
	922 664	759 931
Pre-payments include Eskom electricity account with credit balances and deposit on aviation contract paid to Federal Air.		

# 7 NON-CURRENT RECEIVABLES

Debtor: Eskom Deposits	6 223 650	5 218 301
Deposit: Property 165 President Str, Vryheid	6 044	6 044
Total	6 229 693	5 224 345

Eskom Deposit- is payable when an application is made to connect a new water scheme for the Eskom line supply.

Rent Deposit- this is the deposit payable in terms of the office lease agreement

# ZULULAND DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 June 2016

# 8 PROPERTY, PLANT AND EQUIPMENT

-						
Land	Buildings	Infrastructure	Community		Other Assets	Total
R	R	R	R	riogicoo	R	R
470 000	33 622 453	1 284 755 941	14 143 160	892 487 529	29 158 972	2 254 638 055
470 000	44 318 991	1 528 760 790	14 933 380	892 487 529	58 378 690	2 539 349 380
-	(10 696 538)	(244 004 849)	(790 220)	-	(29 219 717)	(284 711 325)
470 000	33 622 453	1 284 755 941	14 143 160	892 487 529	29 158 972	2 254 638 055
-	1 126 601	63 727	-	517 785	510 572	2 218 685
-	(339 997)	(19 725)	-	-	(247 755)	(607 477)
-	-	812 584	-	-	(1 390 530)	(577 946)
470 000	34 409 057	1 285 612 527	14 143 160	893 005 314	28 031 259	2 255 671 316
		370 461 897		(370 461 897)		-0.00
-	-	107 716	-	-	482 208	589 925
				376 000 138		376 000 138
-	(1 238 162)	(42 625 238)	(2 133 560)	-	(6 934 339)	(52 931 298)
-	-	(33)	-		(140 740)	(140 773)
-	-		-		( )	(2 457 685)
-	-	39	_		2 316 873	2 316 912
						-
						2 579 189 307
470 000	45 445 592	1 899 394 059	14 933 380	898 543 555	56 913 856	2 915 700 442
	(12 274 698)	(285 837 190)	(2 923 780)	-	(35 475 468)	- (336 511 135)
	470 000 470 000 - 470 000 - - - -	R         R           470 000         33 622 453           470 000         44 318 991           -         (10 696 538)           470 000         33 622 453           -         1 126 601           -         (339 997)           -         -           470 000         34 409 057           -         - <t< td=""><td>R         R         R           470 000         33 622 453         1 284 755 941           470 000         44 318 991         1 528 760 790           -         (10 696 538)         (244 004 849)           470 000         33 622 453         1 284 755 941           -         1 126 601         63 727           -         (339 997)         (19 725)           -         -         812 584           470 000         34 409 057         1 285 612 527           -         107 716           -         (1 238 162)         (42 625 238)           -         -         (33)           -         -         (72)           -         33 170 894         1 613 556 869           470 000         33 170 894         1 613 556 869</td><td>R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160           470 000         44 318 991         1 528 760 790         14 933 380           -         (10 696 538)         (244 004 849)         (790 220)           470 000         33 622 453         1 284 755 941         14 143 160           -         1 126 601         63 727         -           -         (339 997)         (19 725)         -           -         -         812 584         -           470 000         34 409 057         1 285 612 527         14 143 160           -         -         107 716         -           -         -         107 716         -           -         -         107 716         -           -         -         33 562         (2 133 560)           -         -         -         39         -           -         -         -         39         -           -         -         -         39         -           -         -         39         -         -           -         -         39 394         1613</td><td>R         R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           470 000         44 318 991         1 528 760 790         14 933 380         892 487 529           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           -         (10 696 538)         (244 004 849)         (790 220)         -           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           -         1 126 601         63 727         -         517 785           -         1 126 601         63 727         -         517 785           -         -         812 584         -         -           -         -         812 584         -         -           -         -         812 584         -         -           -         -         107 716         -         -           -         -         107 716         -         -           -         -         (1238 162)         (42 625 238)         (2 133 560)         -           -         -         -         39         <td< td=""><td>R         R         R         R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           470 000         44 318 991         1 528 760 790         14 933 380         892 487 529         58 378 690           -         (10 696 538)         (244 004 849)         (790 220)         -         (29 219 717)           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           -         1 126 601         63 727         -         517 785         510 572           -         (139 997)         (19 725)         -         -         (1390 530)           -         812 584         -         -         (1 390 530)           470 000         34 409 057         1 285 612 527         14 143 160         893 005 314         28 031 259           -         0         -         107 716         -         -         482 208           -         (1 238 162)         (42 625 238)         (2 133 560)         -         (6 934 339)           -         -         (72)         -         (2 457 613)         2 316 873</td></td<></td></t<>	R         R         R           470 000         33 622 453         1 284 755 941           470 000         44 318 991         1 528 760 790           -         (10 696 538)         (244 004 849)           470 000         33 622 453         1 284 755 941           -         1 126 601         63 727           -         (339 997)         (19 725)           -         -         812 584           470 000         34 409 057         1 285 612 527           -         107 716           -         (1 238 162)         (42 625 238)           -         -         (33)           -         -         (72)           -         33 170 894         1 613 556 869           470 000         33 170 894         1 613 556 869	R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160           470 000         44 318 991         1 528 760 790         14 933 380           -         (10 696 538)         (244 004 849)         (790 220)           470 000         33 622 453         1 284 755 941         14 143 160           -         1 126 601         63 727         -           -         (339 997)         (19 725)         -           -         -         812 584         -           470 000         34 409 057         1 285 612 527         14 143 160           -         -         107 716         -           -         -         107 716         -           -         -         107 716         -           -         -         33 562         (2 133 560)           -         -         -         39         -           -         -         -         39         -           -         -         -         39         -           -         -         39         -         -           -         -         39 394         1613	R         R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           470 000         44 318 991         1 528 760 790         14 933 380         892 487 529           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           -         (10 696 538)         (244 004 849)         (790 220)         -           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529           -         1 126 601         63 727         -         517 785           -         1 126 601         63 727         -         517 785           -         -         812 584         -         -           -         -         812 584         -         -           -         -         812 584         -         -           -         -         107 716         -         -           -         -         107 716         -         -           -         -         (1238 162)         (42 625 238)         (2 133 560)         -           -         -         -         39 <td< td=""><td>R         R         R         R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           470 000         44 318 991         1 528 760 790         14 933 380         892 487 529         58 378 690           -         (10 696 538)         (244 004 849)         (790 220)         -         (29 219 717)           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           -         1 126 601         63 727         -         517 785         510 572           -         (139 997)         (19 725)         -         -         (1390 530)           -         812 584         -         -         (1 390 530)           470 000         34 409 057         1 285 612 527         14 143 160         893 005 314         28 031 259           -         0         -         107 716         -         -         482 208           -         (1 238 162)         (42 625 238)         (2 133 560)         -         (6 934 339)           -         -         (72)         -         (2 457 613)         2 316 873</td></td<>	R         R         R         R         R         R         R         R           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           470 000         44 318 991         1 528 760 790         14 933 380         892 487 529         58 378 690           -         (10 696 538)         (244 004 849)         (790 220)         -         (29 219 717)           470 000         33 622 453         1 284 755 941         14 143 160         892 487 529         29 158 972           -         1 126 601         63 727         -         517 785         510 572           -         (139 997)         (19 725)         -         -         (1390 530)           -         812 584         -         -         (1 390 530)           470 000         34 409 057         1 285 612 527         14 143 160         893 005 314         28 031 259           -         0         -         107 716         -         -         482 208           -         (1 238 162)         (42 625 238)         (2 133 560)         -         (6 934 339)           -         -         (72)         -         (2 457 613)         2 316 873

Refer to Appendix B for more detail on property, plant and equipment

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	ZULULAND DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2015							
8	Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Capital work in Progress	Other Assets	Total
		R	R	R	R		R	R
	Restated balance at 1 July 2014	470 000	20 313 321	1 187 160 805	14 548 686	813 181 437	31 079 198	2 066 753 448
	Cost/Revaluation	470 000	43 476 034	1 382 104 989	14 933 380	813 181 437	52 015 213	2 306 181 053
	reclassification 1 reclassification 2		(9 525 760) (4 167 611)	9 525 760 3 005 775	-	-	- 1 161 836	-
	Other movements		(410/011)				961 062	961 062
	restated opening balance at 30 june 2014	470 000	29 782 663	1 394 636 524	14 933 380	813 181 437	54 138 111	2 307 142 114
	Correction of error (note 48)		597 416	13 173 429	(349 754)	-	(620 478)	12 800 613
	Accumulated depreciation and impairment losses	-	(10 066 757)	(220 649 148)	(34 940)	-	(22 438 435)	(253 189 280)
	Impairment loss/Reversal of impairment loss	-	-	-	-		-	- 1
	Transfers	-	- 14 536 329	- 135 560 685	-	(160 540 490)	5 816 589	(4 626 887)
	Other movements*			(823 871)				(823 871)
	Acquisitions	-	-		-	-	•	-
	Capital under Construction Depreciation	-	- (1 227 197)	- (35 716 622)	(405 527)	239 846 582	- (7 551 258)	239 846 582 (44 900 604)
			()	х <i>У</i>	(,		. ,	· · ·
	Carrying value of disposals Cost/Revaluation	•	•	(1 425 056) (1 436 419)	•		(185 557) (1 576 011)	(1 610 613) (3 012 429)
	Accumulated depreciation and impairment losses		-	(1 436 4 19)	-		1 390 453	1 401 816
	Restated balance at 1 July 2015	470 000	33 622 453	1 284 755 941	14 143 160	892 487 529	29 158 972	2 254 638 055
	Cost/Revaluation	470 000	29 782 663	1 393 200 105	14 933 380	1 053 028 019	52 562 100	2 543 976 267
	Transfers Accumulated depreciation and impairment losses	-	14 536 329 (10 696 538)	135 560 685 (244 004 849)	(790 220)	(160 540 490) -	5 816 589 (29 219 717)	(4 626 887) (284 711 325)
	Transfers	-	14 536 329	135 560 685	-		5 816 589	(4 62

#### Reclassification

1. The amount of 9525760 comprises of Airport Runway incorrectly included as buildings instead of being Infrastructure.

2. This amount comprises of amounts like airconditioners previously included as buildings instead of being an infrastructure and other assets

### Other movements 1

disclosed as finance lease assets that were fully

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# 9 HERITAGE ASSETS

9	Reconciliation of Carrying Value	Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Work in Progress	Total
		R	R	R	R		R
	as at 1 July 2015	-		-	-	1 151 452	1 151 452
	Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
	Correction of error (note 48)	-	-	-	-		-
	Change in accounting policy (note 47)	-	-	-	-		-
	Accumulated depreciation and impairment losses	-	-	-	-		-
	Acquisitions	-	-	-	-		-
	Capital under Construction	-	-	-	-		-
	Carrying value of disposals	-		-	-		-
	Cost/Revaluation	-	-	-	-		-
	Impairment losses	-	-	-	-		-
	Impairment loss/Reversal of impairment loss	-	-	-	-		-
	Transfers	-	-	-	-		-
	Other movements*	-	-	-	-		-
	as at 30 June 2016	-		-	-	1 151 452	1 151 452
	Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
	Transfers	-	-	-	-		-
	Impairment losses	-	-	-	-		-

Refer to Appendix C for more detail on Heritage Assets

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9 Reconciliation of Carrying Value	Art collections	Stamp collections	Collections of rare books or manuscripts	Historical buildings	Work in Progress	Total
	R	R	R	R		R
as at 1 July 2014	-	-			1 151 452	1 151 452
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Acquisitions	-	-	-	-		-
Capital under Construction	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-		-
Transfers	-	-	-	-		-
*Other movements	-					-
as at 30 June 2015	-	-			1 151 452	1 151 452
Cost/Revaluation	-	-	-	-	1 151 452	1 151 452
Impairment losses	-	-	-	-		-

ZULULAND DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016					
	Note				
10 INTANGIBLE ASSETS					
10.1 Reconciliation of carrying value	Computer Software	Total			
	R	R			
as at 1 July 2015	573 752	573 752			
Cost	960 873	960 873			
Accumulated amortisation and impairment losses	(387 121)	(387 121)			
Acquisitions		-			
Amortisation	(169 530)	(169 530)			
Other movements		-			
Transfers		-			
Carrying value of disposals	-	-			
Cost	(131 360)	(131 360)			
Accumulated amortisation	131 360	131 360			
as at 30 June 2016	404 222	404 222			
Cost	829 513	829 513			
Accumulated amortisation and impairment losses	(425 292)	(425 292)			

Note	2016 R	2015 R
TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	ĸ	ĸ
Creditors Control Account	11 388 311	34 081 576
Bank deposits not receipted	39 531	74 249
Rental deposit: Ekhethelo	5 000	5 000
Rental deposit: Avis	2 682	2 682
Rental deposit: Waphatha Group (Pty) Ltd	2 682	2 682
Rental deposit: Imbali Elegance Tourism	2 682	2 682
CREDITOR: CIVIL CONTRACT	170 937	-
Creditor previous year/ year end	3	-
Retention	47 001 458	41 651 091
Water & Sanitation Debtors with Credit Balances	1 458 467	1 008 129
Total	60 071 753	76 828 090
Adjusted for Correction of Error (Note 38) Total Restated Creditors	60 071 753	(195 862
Total Restated Creditors	00 071 755	76 632 228
CONSUMER DEPOSITS		
Water	3 334 106	3 329 844
Total consumer deposits	3 334 106	3 329 844
ZDM does not pay interest on deposits refunded.		
VAT RECEIVABLE		
Vat	36 498 810	13 347 306
VAT Payable	(8 773 816)	(7 822 370
Total	27 724 994	5 524 936
CURRENT PROVISIONS Reconciliation of movement in Provision for Leave pay Opening Balance Provisions Poinced	6 814 881	5 869 455
Provisions Raised	3 293 050	3 290 414
Amounts Used	(2 860 893)	(2 344 989
Closing Balance	7 247 038	6 814 88 <sup>-</sup>
This provision relates to total number of accumulated leave days for 572 employees of the municipality as at 30 June 2016. Her municipality is uncertain about the timing of these possible outflows due to the fact that municipal employees will utilised their ar to-time in future.		
Reconciliation of movement in Provision for Bonuses		
Opening Balance	8 144 363	-
Provisions Raised	3 307 352	8 144 363
Amounts Used	(8 144 363)	
Closing Balance	3 307 352	8 144 363
Total provisions	10 554 390	14 959 244
	10 334 350	14 535 244
The 2014-15 audited amount of Current Provision (R 6 814 881) was restated by 8 144 363 (bonus provision) to R 14 959 244 d	lue to a correction of err	or.
OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Grant Received in Advance (RBIG)	13 361 415	
Grant Received in Advance (Indonsa Grant)	500	-
Creditors Deceased Staff (EP Zulu)	-	4 444
Creditors (TW Mthethwa)	23 280	23 280
Creditors (LB Shange)	179 399	179 399
Creditors (Unverified Employees)	14 929	-
Total	13 579 523	207 123

# 17 OTHER FINANCIAL LIABILITIES

Total

Rental deposits held		
Deposit - IEC	-	2 905
Deposit - WSSA	2 420	2 420

207 123

13 579 523

	Note	2016	2015
		R	R
		2 420	5 325
Depted dependences hald in terms of the signed central agreement between Lesser and Lesser			

Rental deposits are held in terms of the signed rental agreement between Lessor and Lessee.

	Note	2016	2015
		R	R
18	SERVICE CHARGES		
	Sale of water	17 652 927	21 011 918
	Sewerage and sanitation charges Total Service Charges	7 792 416 25 445 343	8 936 261
	i otal Service Charges	20 440 343	29 948 179
19	RENTAL OF FACILITIES AND EQUIPMENT		
	Rental of facilities	168 908	178 377
	Total rentals	168 908	178 377
20	INTEREST EARNED - EXTERNAL INVESTMENTS		
	Current Account	1 864 832	858 939
	Call Accounts	1 752 263	1 178 982
	Total interest	3 617 095	2 037 921
22.1	REVENUE FROM NON-EXCHANGE TRANSACTIONS GOVERNMENT GRANTS AND SUBSIDIES		
	DWAF Accelerated Community infrastructure (Operational & maintenance)	6 000 000	3 500 000
	DWAF- Bulk Infrastructure Grant	187 698 519	62 866 494
	Equitable share	322 706 000	297 420 000
	Expanded public works Programme	3 800 000	2 486 000
	Finance Management Grant	1 250 000	1 250 000
	Grant: Rural Sanitation		-
	Indonsa	1 815 000	1 729 000
	Grant: Strategic Support	1 500 000	345 602
	MIG Grant MWIG	221 359 000	241 622 000
	MWIG Municipal Systems Improvement Grant	79 006 000 940 000	39 205 000 934 000
	Municipal Systems improvement Grant Massification	940 000	934 000
	P700 Strategic Corridor	2 173 000	- 2 167 000
	Shared Services Planning	2 182 605	462 769
	Ulundi Airport	2 102 000	-02 105
	Training of Councillors		
	Grants: ACIP		1 017 483
	Drought Relief Grant (National Government)	32 470 924	4 443 747
	Ulundi Tourism Hub		
	TOTAL	862 901 048	659 449 094
	Equitable Share		
	water. MIG GRANT		
	Balance unspent at beginning of year		
	Current year receipts	221 359 000	241 622 000
	Conditions met - transferred to revenue	(221 359 000)	(241 622 000)
	Conditions still to be met - remain liabilities		-
	Provide explanations of conditions still to be met and other relevant information		
	Other Government Grants and Subsidies		
	Balance unspent at beginning of year		
	Conditions met - transferred to revenue	(862 901 048)	(659 449 094)
	Conditions still to be met - remain liabilities		-
	Changes in levels of government grants		
	forthcoming 3 financial years.		
22.2	Other Revenue from Non-Exchange		
	Tampering Fee	27 761	37 964
	rampering Fee Re-classified from Other Income (Tampering Fee)	21 10	37 904

		Note	2016	2015
			R	R
			27 761	37 964
23	OTHER REVENUE FROM EXCHANGE TRANSACTIONS			
	Marathon entry fee		54 109	58 654
	New connections-sewarage		9 659	20 531
	New connections-water		89 948	76 015
	Reconnection fees-water		77 324	142 983
	Sundry Income		12 522	110 852
	Insurance Claims			-
	Sale of Aviation fuel		168 688	231 183
	Revenue from flight tickets		2 944 933	2 349 390
	Donations received		42 625	
	Discount Received		31 249	33 543
	Fax and Clearance Certificate		163 500	-
	Indonsa Hall Hire		411	702
	Telephone expenses recovered		-	124 029
	Skills Levy Refunds		287 314	264 653
	Late Payment		27 662	-
	Surpluas cash		-	-
	Non-refundable tender deposit		369 350	288 707
	Total		4 279 294	3 701 241
	Correction of error (Note 38)			-
	TOTAL		4 279 294	3 701 241
24	EMPLOYEE RELATED COSTS			
	Employee related costs - Salaries and Wages		107 011 710	99 471 945
	Employee related costs - Contributions for UIF, pensions and medical aids		22 606 636	23 312 205
	Travel, motor car, accommodation, subsistence and other allowances		7 659 719	7 196 461
	Housing benefits and allowances		957 677	823 136
	Overtime payments		9 003 264	8 067 846

Other employee related costs TOTAL EMPLOYEE RELATED COSTS 6 636 016

153 875 023

5 184 315

144 055 908

		Note	2016	2015
			R	R
Remuneration of the Municipal Manager			2016	2015
Innual Remuneration			1 001 261	540 00
Performance- and other bonuses			192 443	174 82
ravel, motor car, accommodation, subsistence and other allowances			487 470	821 02
Contributions to UIF, Medical and Pension Funds			40 285	66 59
TOTAL		-	1 721 459	1 602 44
Remuneration of the Chief Finance Officer				
Annual Remuneration			737 525	360 00
Performance- and other bonuses			156 008	124 53
ravel, motor car, accommodation, subsistence and other allowances			432 403	742 8
Contributions to UIF, Medical and Pension Funds			49 801	71 00
TOTAL		_	1 375 736	1 298 3
Remuneration of Individual Executive Directors	Planning	Technical Services	Corporate Services	Community Services
	R	R	R	R
016				
Annual Remuneration	769 041	784 057	769 041	360 0
Performance- and other bonuses	132 007	120 006	120 006	120 0
Fravel, motor car, accommodation, subsistence and other allowances	553 419	396 116	427 442	897 8
Contributions to UIF, Medical and Pension Funds  Fotal	42 701 1 497 167	21 877 1 322 056	59 165 1 375 654	1 7 1 379 6
otar	1431 101	1 322 030	1 37 3 0 3 4	1 57 5 6
	Planning	Technical Services	Corporate Services	Community Services
	R	R	R	R
015				
Innual Remuneration				
Performance- and other bonuses	360 000	360 000	360 000	360 0
ravel, motor car, accommodation, subsistence and other allowances	113 213	101 892	101 892	101 8
Contributions to UIF, Medical and Pension Funds	792 019	775 947	802 781	799 6
Total	37 802	20 077	42 249	20 5
	1 303 034	1 257 916	1 306 922	1 282 0
REMUNERATION OF COUNCILLORS				R
Mayor			698 597	746 029.
Deputy Mayor			369 966	373 014.
Speaker			613 223	593 822.0
Executive Committee Members			2 077 077	2 238 088.0
Councillors' pension and medical aid contributions			474 009	437 6
Councillors' allowances			2 401 135	1 832 7
Fotal Councillors' Remuneration		-	6 634 007	6 221 3
		_	0 004 001	0 621 0

#### In-kind Benefits

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The Mayor, Deputy Mayor, Speaker and Executive Committee Members are fulltime. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has contracted bodyguards and three (3) full time drivers.

2016 2015

	Note	2016	2015
		R	R
26.1	DEPRECIATION AND AMORTISATION EXPENSE		
20.1	DEFRECIATION AND AMONTISATION EXPENSE		
	Property, plant and equipment	53 097 602	44 900 604
	Intangible assets		169 608
	Total Depreciation and Amortisation	53 097 602	45 070 211
	Depreciation and amortisation expense was incorrecity charged due to the fact that asset categories were not componentised.		
26.2	REPAIRS AND MAINTENANCE		
20.2	Repairs and maintenance: Building	592 707	2 737 204
	Repairs and maintenance: Computers	6 325	63 738
	Repairs and maintenance: Furniture and equipments	50 214	16 558
	Operations and maintenance of water schemes	17 698 663	21 227 395
	Refurbishment and maintenance - water schemes	4 581 637	12 307 599
	Repairs and maintenance: Vehicles	6 078 989	4 762 548
	Total —	29 008 536	41 115 042
28	BULK WATER PURIFICATION AND SEWER TREATMENT		
	Electricity	29 783 546	31 719 285
	Sewerage	3 006 903	3 217 807
	Water	36 163 844	39 243 337
	Total Bulk Purchases	68 954 292	74 180 428
29	CONTRACTED SERVICES		
	Contracted services for:		
	Security Services	11 323 771	10 343 860
	Meter reading Services	336 674	67 293
	Cleaning Service	2 707 586	2 296 683
	Internal Audit Services	1 838 901	2 155 125
	Restated total	16 206 932	14 862 961
30	GRANTS AND SUBSIDIES PAID		
	Abaqulusi Municipality		50 000
	Nongoma Municipality		50 000
	Pongola Municipality	-	50 000
	Ulundi Municipality	-	50 000
		-	200 000
	-		
	institutions and a Water Services Provider Grant to Abaqulusi Municipality		
31	institutions and a Water Services Provider Grant to Abaqulusi Municipality GENERAL EXPENSES		
31	GENERAL EXPENSES		
31	GENERAL EXPENSES Included in general expenses are the following:-	133 282	332 518
31	GENERAL EXPENSES	133 282 2 287 373	332 518 2 338 721
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising		
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees	2 287 373	2 338 721
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges	2 287 373 262 536	2 338 721 273 398
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations	2 287 373 262 536 66 767	2 338 721 273 398 50 852
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance	2 287 373 262 536 66 767 274 377 7 011 668 613 440	2 338 721 273 398 50 852 470 810 7 612 273 855 536
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Advertising Aduit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA)	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles)	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Advertising Advit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 663 911 536 567 74 539	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539 - 232 369	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 663 911 536 567 74 539	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees (Vehicles) Postage Printing and stationery	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539 - 232 369 817 693	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage Printing and stationery Professional fees	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539 - 232 369 817 693 15 618 567	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees Other Pest Control Postage Printing and stationery Professional fees Rental of buildings	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539 - 232 369 817 693 15 618 567 192 425	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773 180 795
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage Printing and stationery Professional fees Rental of buildings Rental of office equipment	2 287 373 262 536 66 767 274 377 7 011 668 613 440 1 683 911 536 567 74 539 - 232 369 817 693 15 618 567 192 425 716 834	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773 180 795 768 994
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and cil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage Printing and stationery Professional fees Rental of buildings Rental of office equipment Other rentals Skills development levies Stocks and material	$\begin{array}{c} 2\ 287\ 373\\ 262\ 536\\ 66\ 767\\ 274\ 377\\ 7\ 011\ 668\\ 613\ 440\\ 1\ 683\ 911\\ 536\ 567\\ 74\ 539\\ -\\ 232\ 369\\ 817\ 693\\ 15\ 618\ 567\\ 192\ 425\\ 716\ 834\\ 164\ 621\\ 1\ 480\ 912\\ 62\ 471\\ \end{array}$	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773 180 795 766 994 390 214 1 368 908 287 905
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and oil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage Printing and stationery Professional fees Rental of buildings Rental of office equipment Other rentals Skills development levies Stocks and material Telephone cost	$\begin{array}{c} 2\ 287\ 373\\ 262\ 536\\ 66\ 767\\ 274\ 377\\ 7\ 011\ 668\\ 613\ 440\\ 1\ 683\ 911\\ 536\ 567\\ 74\ 539\\ -\\ 232\ 369\\ 817\ 693\\ 15\ 618\ 567\\ 192\ 425\\ 716\ 834\\ 164\ 621\\ 1\ 480\ 912\\ 62\ 471\\ 2\ 205\ 851\\ \end{array}$	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773 180 795 768 994 390 214 1 368 908 287 905 2 256 617
31	GENERAL EXPENSES Included in general expenses are the following:- Advertising Audit fees Bank charges Conferences and delegations Entertainment Fuel and cil Insurance Membership fees (SALGA) License fees (Vehicles) License fees - Other Pest Control Postage Printing and stationery Professional fees Rental of buildings Rental of office equipment Other rentals Skills development levies Stocks and material	$\begin{array}{c} 2\ 287\ 373\\ 262\ 536\\ 66\ 767\\ 274\ 377\\ 7\ 011\ 668\\ 613\ 440\\ 1\ 683\ 911\\ 536\ 567\\ 74\ 539\\ -\\ 232\ 369\\ 817\ 693\\ 15\ 618\ 567\\ 192\ 425\\ 716\ 834\\ 164\ 621\\ 1\ 480\ 912\\ 62\ 471\\ \end{array}$	2 338 721 273 398 50 852 470 810 7 612 273 855 536 1 299 680 423 010 70 278 144 854 299 669 574 922 6 611 773 180 795 766 994 390 214 1 368 908 287 905

	Note	2016	2015
		R	R
Travel and subsistence		9 807 622	9 536 164
Uniforms & overalls		972 619	708 856
Grants/ Projects expenditure			64 028 980
Total		202 136 693	204 716 127

		Note	2016	2015
			R	R
32	GAIN ON SALE OF ASSETS			
	Property, plant and equipment		83 837	167 119
	Total		83 837	167 119
33	CASH GENERATED BY OPERATIONS			
	Surplus for the year		357 801 145	149 898 135
	Adjustment for:-			
	Depreciation and amortisation		53 097 602	45 070 211
	Gain on sale of assets		(83 837)	(167 119)
	Interest - Investments		(3 617 095)	(2 037 921)
	Operating surplus before working capital changes:		407 197 814	- 192 763 306
	Working Capital		(26 227 471)	(17 094 754)
	Increase in trade and other receivables from exchange transactions		(4 095 845)	(4 311 645)
	(Increase)/decrease in other receivables from non-exchange transactions		7 418 251	(8 814 788)
	Increase in current provisions (liabilities)		-4 404 854	945 425
	(Increase)/decrease in prepayments		(162 733)	994 459
	(Increase)/decrease in VAT receivable		(22 200 058)	1 116 602
	(Increase)/decrease in Other movements (Other Receivables)			-
	(Increase)/decrease in Inventory		1 440 479	(2 221 775)
	(Increase)/decrease in non-current receivables		(1 005 349)	(2 099 457)
	Decrease in trade and other payables from exchange transactions		(16 560 475)	(2 304 345)
	Increase in consumer deposits		4 262	101 979
	Increase/(decrease) in current taxes			-
	Increase in trade and other payables from non-exchange transactions		13 372 399	(355 692)
	Decrease in other non current liabilities (rental deposits)		(2 905)	-
	Increase in other trade and other receivables from exchange transactions		(30 644)	(145 518)
	Cash generated by/(utilised in) operations		380 970 344	175 668 553

	Note	2016	2015
0		R	R
Cash receipts from consumers, government and other			
Total revenue per statement of financial performance		896 439 449	703 034 97
Adjusted for items disclosed separately			
Interest received		(3 617 095)	(2 037 92
Financial loss recovered		-	1 097 11
Adjusted for working capital		(22 878 019)	(15 531 15
Increase in trade and other receivables from exchange transactions		(4 095 845)	(4 311 64
(Increase)/decrease in other receivables from non-exchange transactions		7 418 251	( 8 814 78
Increase in current provisions		-4 404 854	945 42
(Increase)/decrease in VAT receivable		(22 200 058)	1 116 60
(Increase)/decrease in Inventory		1 440 479	(2 221 77
(Increase) in non-current receivables		(1 005 349)	(2 099 45
(Increase)/decrease in Other movements		-	
(Increase)/decrease in other trade and other receivables from exchange transactions		(30 644)	(145 518
Cash receipts from consumers, government and other		869 944 335	686 563 000
Cash paid to employees, suppliers and other			
Total expenses as per statement of financial performance		(538 722 141)	(554 401 06
Adjusted for non-cash items:		53 097 602	45 070 21
Depreciation		53 097 602	45 070 21
Adjusted for items disclosed separately			
Adjusted for working capital		(3 349 452)	(1 563 59
(Increase)/decrease in prepayments		(162 733)	994 45
Decrease in trade and other payables from exchange transactions		(16 560 476)	(2 304 34
Increase/(decrease) in trade and other payables from non-exchange transactions		13 372 399	(355 69
Increase in consumer deposits		4 262	101 97
Increase/(decrease) in non-current liabilities (rental deposit held)		(2 905)	-
Increase/(decrease) in non-current liabilities (Post Retirement Benefit Obligation)		-	
Cash paid to employees, suppliers and other		(488 973 991)	(510 894 45
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the ollowing:			
Bank balances and cash		6 000	6 00
Bank overdrafts		(33 437 872)	(45 486 85
Net cash and cash equivalents (net of bank overdrafts)		(33 431 872)	(45 480 85
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
Contributions to organised local government (SALGA)			
Opening balance			
Membership Fees		1 683 911	1 257 63
Amount paid - current		(1 683 911)	(1 257 63
		,	
Amount paid - previous years			
Amount paid - previous years Balance unpaid (included in payables)		<u> </u>	

34

35 35.1

	Not		2015
		R	R
35.2	Audit fees		
	Opening balance		
	Current year audit fee	2 287 373	2 338 721
	Amount paid - current year	(2 287 373)	(2 338 721)
	Balance unpaid (included in payables)	-	-
5.3	PAYE and UIF		
	Opening balance	-	-
	Current year payroll deductions	21 361 236	21 085 420
	Amount paid - current year	(21 361 236)	(21 085 420)
	Balance unpaid (included in payables)	-	-
5.4	Medical and Pension Contributions		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	11 270 703.3	30 169 246
	Amount paid - current year	(11 270 703.3)	(30 169 246
	Balance unpaid (included in payables)	-	•
		Outstanding less	Outstanding
5.5	The following Councillors had arrear accounts outstanding as at 30 June 2016:	than 90 days	more than 90 days R
	as at 30 June 2016		
	Cllr PATN Buthelezi	251	1 974
	Cllr B J Mncwango	165	3 122
	Clir I A T Mbatha	-	160
	Cllr T K Mkhize	292	1 460
	Clir K E Nxumalo	95	1 019
	Total Councillor Arrear Consumer Accounts	803	7 734
	as at 30 June 2015		
	as at 30 June 2015 Clir T B Lukhele	76	-
		76 231	- 8 845
	Cilr T B Lukhele Cilr PATN Buthelezi		- 8 845 -
	Clir T B Lukhele	231	
	Cllr T B Lukhele Cllr PATN Buthelezi Cllr I A Mbatha	231 53	- 8 845 - 790 950
	Cllr T B Lukhele Cllr PATN Buthelezi Cllr I A Mbatha Cllr B J Mncwango	231 53 201	- 790

		Note	2016	2015
			R	R
35.6	Water losses averaged 2.1% during the year		2 434 729	7 514 315
	Unaccounted for water comprises underground leaks, faulty meters, vandalism, resevoir overflows resulting fr			
	malfunctioning ball balves. The Non Revenue Water Management Strategy is already in place. The municipality business plan to source funding for the implementation of the Non Revenue Water Management Strategy.	is currently	drafting the	
	sushess plan to source randing for the implementation of the non-network matter management of deepy.			
35.7	Irregular Expenditure			
	Reconciliation of irregular expenditure			
	Opening balance		302 315	88 750
	Irregular expenditure incurred during the year		11 263 168	312 364
	Irregular expenditure condoned or written-off by council		(312 664)	(98 799)
	Irregular expenditure awaiting condonement		11 252 819	302 315

Irregular expenditure relates to procurements that were made from companies who have directors or members who are in the service of the state. This was due to the members making misrepresentations on the Municipal Bidding Documentation (MBD 4) forms which are official declarations from National Treasury. Investigations are ongoing and further actions will be taken in accordance with the merits of each case. A legal opinion regarding the action that can be instituted has been obtained. However, the municipality does not have access to the database of government employees and cannot reasonably be expected to know all government employees. As a result, the declarations by members of respective companies are considered adequate. In June 2012 the municipality procured the services of a company that verifies the status of a company or individual before an appointment can be made. This has gone a long way to ensure that companies whose members are in the service of the state are not appointed.

#### 35.9 Fruitless and Wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	12 185	41 199
Fruitless and wasteful incurred during the year	130 739	65 975
Fruitless and wasteful condoned or written-off by council	(52 906)	(94 989)
Fruitless and wasteful awaiting condonement	90 018	12 185

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

# 35.10 Report on Approved Deviations

Reconciliation of approved deviations

Opening balance		-
Deviations incurred during the year	21 647 640	25 036 287
Deviations reported to council	(18 178 477)	(25 036 287)
Deviations awaiting reporting to council	3 469 163	

Compliance with Municipal Supply Chain Management Regulations, paragraph 36.

		Note	2016	2015
			R	R
36	CAPITAL COMMITMENTS			
	Commitments in respect of capital expenditure			
	- Approved and contracted for		434 732 968	237 677 632
	Infrastructure		433 502 805	236 716 816
	Community		1 230 162	589 535
	Other			371 281
	- Approved but not yet contracted for		7 558 806	289 309 875
	Infrastructure		6 436 416	283 461 875
	Community		1 122 390	
	Other		-	5 848 000
	Total		442 291 774	526 987 508
	Less adjusted for reclassification		-	(289 309 875)
	Restated amount		442 291 774	237 677 632

Restatement was due to misinterpretation of Accounting Guideline on Contractual Commitments (GRAP 19). The restatement resulted to the amount of approved but not yet contracted for being corrected for the comparative year.

	Note	2016	2015
		R	R
OPERATING LEASES			
At the reporting date the entity has outstanding commitments under operating			
leases which fall due as follows:			
Operating leases - lessee			
Operating leases - lessee			
Within one year		-	115 819
In the second to fifth year inclusive		-	-
After five years		-	-
Total	-	-	115 819
Total future minimum sublease payment expected to be received under non-	•		
cancellable sublease			

# Related party balances

Loan accounts - Owing (to) by related parties

	Note	2016	2015
		R	R
CORRECTION OF PRIOR PERIOD ERROR			
These errors relate to misstatements for 2014/2015 (No. 0004) and more prior years (No. 0005) res		takes in applying ac	counting policies.
These errors are corrected retrospectively. Some of these errors were due to misapplication of appli	icable accounting standards.		
Nature of prior period error			
Relating to 2014/2015			
Recognition of depreciation on SCADA System at Frischgewaargd (JN A031)			53 21
Recognition of depreciation on assets that were not recorded in the FAR (JN A029)			3 2
Recognition of depreciation on assets that were not recorded in the FAR (JN A029)			35 48
Recognition of a cancelled cheque no. 54121 (JN E004)			(189.40
Recognition of a cancelled ELE 90011305 (JN E004)			(4 38
Capitalisation of WIP that was not recognised during 2014/15 (JL E0163)			(517 78
Capitalisation of WIP that was not recognised during 2014/15 (JL A033)			(2.08
Recognition of assets that were not recorded in thr asset register (JN A045)			20 53
Recognition of bonus provision for 2014-15 financial year (JN A061)			8 144 36
Total restatement as at 30 June 2015			7 543 1

Prior period errors Correction of prior period errors

# Revenue: None

38

Net effect

# Assets:

A35615.	
Property Plant and Equipment (Accumulated depreciation)	35 487
Property Plant and Equipment (WIP)	(517 785)
Decrease in Property Plant and Equipment	3 227
Property Plant and Equipment (Accumulated depreciation)	53 215
Decrease in Property Plant and Equipment	20 537
Net effect	(405 319)
Liabilities:	
Trade creditors	(189 400)
Trade creditors	(2 082)
Trade creditors	(4 380)
Net effect	(195 862)
Provisions	
Bonus provision	8 144 363
Net effect	8 144 363

	Note	2016	2015
		R	R
Nature of prior period error			
Relating to 2013/2014 and period back			
Capitalisation of donated assets (JN A030)			(1 150 00
Recognition of depreciation on assets that were not recorded in the FAR (JN A029)			312 93
Capitalisation of SCADA System at Frischgewaargd WTW (JN A031)			(372 50
Recognition of depreciation on SCADA System at Frischgewaargd (JN A031)			62 08
Recognition of assets that were not recorded (JN A045)			(178 39
Recognition of assets that were not recorded (JN A045)			123 2
Recognitiona from other adjustments			574 7 <sup>.</sup>
Fotal restatement as at 30 June 2014		_	(627 94
Prior period errors			
Correction of prior period errors			
Assets:			
Property Plant and Equipment (Accumulated depreciation)			62 0
Property Plant and Equipment (WIP)			(372 5
Property Plant and Equipment (Additions)			(1 150 0
Property Plant and Equipment (Accumulated depreciation)			312 9
Increase in Property Plant and Equipment (Additions)			(178 3
Decrease in Property Plant and Equipment Net effect		—	123 2
			(1 202 66
EMPLOYEE BENEFITS			
ension Benefits		13 069 005	44 044 8
council's share of contributions to retirement benefit funds were		13 069 005	11 914 8
s stated in the accounting policy note, all contributions to retirement benefit funds are treated as con	ntributions to retirement cor	tribution plans.	
Pefined Benefit Oblication		15 700 057	
)pening balance		15 733 000	-
urrent Service Cost		1 607 000	15 733 0
terest cost		1 645 000.0	-
		(6 000)	
cturial Gains-change in financial assumptions		623 000	
cturial Loss-experience variance		(10.00-)	
-		(42 000) <b>19 560 000</b>	15 733 0

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

### Summary of key assumptions used

Summary of economic assumptions are:		
Discount rate used	11.50%	9.5%
Healthcare cost inflation used	11.00%	8.9%
Net disclount rate used	0.45%	0.55%

### Discount rate

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In line with GRAP 25 and current market practices, government bond yields are therefore used when setting our best-estimate discount rete assumption. The estimated discount rate of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The estimated disclount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 22 years, expected duration of the liability based on the current membership data as at 30 June 2015.

### Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index (CPI) by a margin of 1% to 2%. The Bond Exchange of South Africa fits real yield curve on index-lonked bonds. This real yield curve is publised together with the BESA yield curve on zero-coupon government bond yields, which is a normal yield curve.

The best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value todetermine the healthcare cost inflation assumption. The CPI inflation assumption using this methodology is 6.90% as at 30 June 2015. Thus the healthcare cost inflation rate has been set as 8.90% at the valuation date, after allowing for a margin of 2% over CPI inflation.

### Net discount rate

Note	9	2016	2015
		R	R
The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual rate is also a highly significant assumptionin the respective valuations. The future medical benefits are projected in line v inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current leve	vith the healt	hcare cost	
The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost infla Using the gross doscount and healthcare cost inflation rates as shown above, the resulting net discount rate is 0.55% (cr rate)/(1+ healthcare cost inflation rate) -1) for the 30 June 2015 valuation.			
Naximum subsidy cap			
Members will receive a 60% subsidy of their contributions up to a maximum of the product equivalent to Key Health Med per the benefits of the policy provided. For the purpose of the calculations, an assumption have been made that the mo at Key Health Medical Scheme's Gold option. Futhermore, the maximum cap has been assumed to increase with Health determined above.	nthly subsidi	es are capped	
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a			
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.			
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.			
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.			
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.			
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.  CONTINGENT LIABILITIES Contingent liabilities comprises of: 2016 Claim for damages The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s	results there	was no	
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period. <b>CONTINGENT LIABILITIES</b> Contingent liabilities comprises of: 2016 Claim for damages The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s	results there	was no	1 666 /
CONTINGENT LIABILITIES Contingent liabilities comprises of: 2016 Claim for damages The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s hub programme. The municipality is defending the matter and has filed a plea and claim reconvention.	results there	was no	1 666 1
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period.  CONTINGENT LIABILITIES Contingent liabilities comprises of: 2016 Claim for damages The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s hub programme. The municipality is defending the matter and has filed a plea and claim reconvention.  Claim for damages The Municipality is being sued by a plaintiff for alleged services rendered. The municipality is defending the claim and h	upply schem	e and tourism	1 666 /
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period. <b>CONTINGENT LIABILITIES</b> Contingent liabilities comprises of: 2016 <i>Claim for damages</i> The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s hub programme. The municipality is defending the matter and has filed a plea and claim reconvention. <i>Claim for damages</i> The Municipality is being sued by a plaintiff for alleged services rendered. The municipality is defending the claim and h	upply schem	e and tourism	1 666 /
The municipality implemented the Post-Retirement Healthcare Subsidy (PRHS) policy effective from 01 July 2014, as a valuation performed in respect of this membership for the prior reporting period. <b>CONTINGENT LIABILITIES</b> Contingent liabilities comprises of: 2016 <i>Claim for damages</i> The Municipality is being sued by a plaintiff in respect of a balance due for service rendered by the plaintiff for a water s hub programme. The municipality is defending the matter and has filed a plea and claim reconvention. <i>Claim for damages</i>	upply schem	e and tourism	

I mar demand for payment of outstanding water use sharges		
The Department of Water and Sanitation has issued Zululand District Municipality a final demand letter for a payment amount interms of National Water Act no. 36 of 1998.	35 666 328	
	-	

### Contingent liabilities - 2016

2015

40

### Claim for damages

The Municipality is being sued by a plaintiff for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim	178 532.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim	128 811.0
Claim for damages The Municipality is being sued by a plaintiff out of the High Court for alleged unlawful cancelling of a contract. The municipality is defending the matter and filed a plea and a special plea in terms of which it disputes the validity of the claim.	1 539 248.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court as a results for alleged breach of a cession. The Plaintiff obtained default judgment against the Defendent. The Defedent have successfully rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim	190 213.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for damages as result of a motor vehicle collision. The Plaintiff obtained a default judgement against the Defendent. The Defendent have rescinded the default judgement and filed a plea and a special plea in terms of which it disputes the validity of the claim.	35 200.0
Claim for damages The Municipality is being sued by a plaintiff out of the Magistrates' Court for alleged breach of contract.	114 640.5
Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected outflows.	
Contingent liabilities - 2015	2 186 644.5

### 41 CONTINGENT ASSETS

Contingent assets comprises of:

44

37 480 982.9

Note	2016	2015
	R	R

2015

### Pending Notice of Objection to SARS

VAT refund for the October 2014 tax period is in dispute. The amount of contingent asset is measured reliably

### Stolen cheques

A forensic investigation was conducted into the theft of Plantiff's cheque and Defendant's staff was found acted neglegently. Council is suing Defendant for damages and loss of money. Subsequent to the stealing of cheques, the court case has been finalised and the suspect convicted. Some funds were frozen and accordingly to our lawyers, it is probable that we may recover this amount from the Bank.



	Note	2016	2015
		R	R
Contingent assets - 2015			2 083 898

Due to the current proceedings of all the above disclosed cases, the Municipality is unable to determine reliably the timing of the expected inflows.

### 42 FINANCIAL LOSS RECOVERED (Fraudulent Transactions)

Financial Loss Recovery from the Insurers	1 097 113
Total	1 097 113
Financial Loss recovered from Insurers associated with stolen cheques.	

### 43 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.

The Statement of comparison of Budget and actual amounts has been presented as a separate additional statement on page 8. The budget and actual financial statements are prepared on the accrual basis and covers the same period from 1 July 2013 to 30 June 2014.

### 44 CHANGE OF ACCOUNTING ESTIMATES

The useful lives of certain assets were re-estimated in 2013 and extended accordingly. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 61,893.

The effect of these has resulted to an increase in depreciation as follows;	Pre-change of estimate	Post-change of estimate
Current Depreciation	•	-

### 45 CAPITAL RISK MANAGEMENT

The capital structure of the municipality consist of accumulated surplus as disclosed in the statement of changes in net assets.

### 46 GEARING RATIO

The gearing ration is nil since the municipality does not have long term liabilities.

### 47 FINANCIAL RISK MANAGEMENT

The Department Financial Services monitors and manafges the finacial risk relating to the operations through internal policies and procedures. These risk include interest rate and liquidity risk. Compliance with policy and procedures is reviewed by internal auditors on a continous basis an annual by external auditor. the municipality does not enter into or trade financial innstruments for speculative purposes.

### 48 LIQUIDITY RISK

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipilitys reputations.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangement are establised at competitive rates to ensure that cash flow requirements are met.

49	TRANSFER TO/FROM ACCUMULATED SURPLUS	2016	2015
	Motor vehicle This consistitutes vehicles donated by KZN Department of Health to the municipality.	-	517 785
50	BAD DEBTS	2016	2015
	Bad debts Council has taken a resolution to write off indigent irrecoverable debts.	1 344 707	8 246 053

### 51 Going Concern Assessment

	Note	2016	2015
		R	R
The annual financial statements were prepared on a going concern basis, ie the assumption that the			
Municipality will continue to operate as a going concern for at least the next 12 months. The underlying indicators f position is :	or this		
a. The municipality is operating at a net asset position.			
p. There are no fixed term borrowings.			
c. There is no indication of withdrawals of support from creditors.			
d. The bank overdraft can is covered by debtors and VAT receivable. The overdraft position is mainly due to the tin	nina of		
eceipts from debtors and VAT refunds.	5		
e. The current ratio is 0.43:1. However included in this calculation is retention of R 47 001 458 which is dependent	on the		
uture grant receipts. This retention does not have to be cash backed.			
f. The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the assets used to generate cash flows.	e value of		
q. The municipality is still able to pays its creditors as they become due.			
n. National Sphere of Government will continue to allocate equitable share of national revenue and other Division of	of Revenue		
Act grants to municipalities.			
. There is no loss of key Management without replacement.			
. There is no labour difficulties that will render the municipality dysfunctional.			
K. All conditional grants requirements are met.			
. There are no pending legal claims that may render municipality dysfunctional.			
m. There are no legal changes in law or regulation or government policy that may result in the liquidation of the mu	nicipality.		
	moipanty.		
Awards to close family members of persons in the services of the state			
······································			

		2016	2015
Name	Position		
Employee Number 371	Technician (Technical Department)	8 523 597	9 338 592

The above disclosure relates to the spouse of the Director of a company that has received various awarded during the current year. The company made all necessary disclosure (MBD-4) as required by SCM Regaulations. The official is working for Technical Department and has no influence in taking decision for making award.

### ZULULAND DISTRICT MUNICIPALITY APPENDIX A SCHEDULE OF EXTERNAL LOANS as at 30 June 2016

		-		-			r	1
EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June -1	Received during the period	Redeemed / written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
			-	-	-	-		
Total long-term loans			-	-	-	-	-	
•								
TOTAL EXTERNAL LOANS			-	-	•	-	-	

							AN	APPENDIX B ALYSIS OF PROPERTY PLANT A as at 30 June 2016									
			Cost	/ Revaluation							Accumulated Depreci	ation					
	Opening Balance	Correction of Error	Other adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Correction of Error	Other adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'000			R'000	R1000	R'000	R'000	R'000			R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land Land	470 000			-			470 000										470 000
	470 000						470 000										470 000
Buildings	44 318 991	1 126 601					45 445 592	(10 696 538)	(339 997)		(1 238 162)			(12 274 698)			33 170 894
Infrastructure																	1
Water & Sewerage Inst Water & Sewerage Pipes	784 642 374 744 118 416	63 727		107 716	(72)		784 813 746 744 118 416	(160 859 066) (83 145 783)	(19 725)	812 584	(21 906 231) (20 719 007)	39		(181 972 399) (103 864 790)	175 410 443 195 051 454		778 251 790 835 305 080
Water & Sewerage Pipes	/44 110 410						/44 110 4 10	(63 145 /63)			(20719007)	-	-	(103 004 /90)	195 001 454	-	030 305 000
					-										-		-
	1 528 760 790	63 727		107 716	(72)		1 528 932 162	(244 004 849)	(19 725)	812 584	(42 625 238)	39		(285 837 190)	370 461 897	· .	1 613 556 869
Capital Work in Progress																	
Capital Work in Progress Capital Work in Progress	892 487 529	517 785				376 000 138	1 269 005 452	-				-			-370 461 897	r I	898 543 555
	892 487 529	517 785				376 000 138	1 269 005 452								-370 461 897		898 543 555
Community Assets Recreation Grounds	14 933 380						14 933 380	(790 220)			(2 133 560)			(2 923 780)			12 009 600
	14 933 380						14 933 380	(790 220)			(2 133 560)			(2 923 780)			12 009 600
Total carried forward	2 480 970 690	1 708 113		107 716	(72)	376 000 138	2 858 786 586	(255 491 608)	(359 722)	812 584	(45 996 960)	39		(301 035 667)	-0.00	) .	2 557 750 919

			Co	st / Revaluation							Accumulated Depreciation						
	Opening Balance	Correction of Error	Other adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Correction of Error	Other adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'000			R'000	R'000	R'000	R'000	R'000			R'000	R'000	R'000	R'000	R'000	R'000	R'000
otal brought forward	2 480 970 690	1 708 113		107 716	(72)	376 000 138	2 858 786 586	(255 491 608)	(359 722)	812 584	(45 996 960)	39		(301 035 667)		(0) -	2 557 750 919
her Assets																	
ffice Equipment	1 068 122				-109 396		958 726	(582 989)		(970 319)	(193 466)	103 175		(1 643 598)			(684 872
umiture & Fittings	1 602 477	74 320		88 820	-15 620		1 749 997	(550 681)	(57 804)	(13 277)	(226 009)	11 735		(836 036)			913 961
nergency Equipment	153 746						153 746	(119 384)		3 074	(16 802)			(133 112)			20 634
otor vehicles	47 274 325	78 072			-1 691 542		45 660 856	(23 385 331)	(65 730)	(73 044)	(5 099 972)	1 585 579		(27 038 498)			18 622 357
omputer Equipment	5 036 177			299 244.64	-549 386		4 786 037	(2 868 689)		(104 274)	(802 932)	525 214		(3 250 682)			1 535 355
ther Assets	3 243 843	358 180		94 144	-91 670		3 604 496	(1 712 644)	(124 221)	(232 690)	(595 158)	91 170		(2 573 542)			1 030 953
	58 378 690	510 572		482 208	(2 457 613)		56 913 856	(29 219 717)	(247 755)	(1 390 530)	(6 934 339)	2 316 873		(35 475 468)			21 438 388
nance Lease Assets																	
ffice Equipment	-					-		-									
ther Assets																	
otal	2 539 349 380	2 218 685		589 925	(2 457 685)	376 000 138	2 915 700 442	(284 711 325)	(607 477)	(577 946)	(52 931 298)	2 316 912		(336 511 135)		(0) -	2 579 189 307

APPENDIX B ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

						A	ALYSIS OF PROPERTY PLANT A as at 30 June 2015	ND EQUIPMENT								
			Cost / Revaluation				ay at so valie 1915		Accumulated	Depreciation						
	Opening Balance	Reclassification	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Reclassification	Depreciation	Correction of error	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	Other movements	Carrying Value
	R'000		R'000	R1000	R'000	R'000	R'000		R'000		R'000	R'000	R'000	R'000	R'000	R'000
Land Land	470 000					470 000								-	-	470 000
	470 000					470 000										470 000
Buildings	43 476 034	(13 693 371)				29 782 663	(10 066 757)		(1 227 197)	597 416			(10 696 538)	14 536 32		33 622 453
Infrastructure Water & Sewerage Inst Water & Sewerage Pipes	637 986 573 744 118 416	12 531 535	:	(1 436 419)		649 081 689 744 118 416	(137 503 364) (83 145 783)		(35 716 622)	13 173 429	11 363		- (160 035 195) (83 145 783)	135 560 68	5 (823 871)	623 783 309 660 972 633
	-		:	:		:			:		1	:	:	:	:	1
	1 382 104 989	12 531 535		(1 436 419)		1 393 200 105	(220 649 148)		(35 716 622)		11 363		(243 180 978)	135 560 68	5 (823 871)	1 284 755 941
Capital Work in Progress Capital Work in Progress	813 181 437				239 846 582	1 053 028 0 19								(160 540 49	0	892 487 529
	813 181 437	12 531 535			239 846 582	1 053 028 019					11 363			(160 540 49	n -	892 487 529
Community Assets Recreation Grounds	14 933 380					14 933 380	(34 940)		(405 527)	(349 754)			(790 220)			14 143 160
1 .	14 933 380					14 933 380	(34 940)		(405 527)				(790 220)			14 143 160
Total carried forward	2 254 165 839	(1 161 836)		(1 436 419)	239 846 582	2 491 414 167	(230 750 845)		(37 349 346)		11 363					

APPENDIX B

#### APPENDIX B ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2015

			Cost / Revaluation						Accumulated Deprec	ciation					
	Opening Balance	Reclassification	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Reclassification	Depreciation	Disposals	Impairment loss/Reversal of impairment	Closing Balance	Transfers	Other movements	Carrying Valu
	R'000	Reclassification	R'000	R'000	R'000	R'000	R'000	Reclassification	R'000	R'000	1055 R'000	R'000	R'000	R'000	R'000
tal brought forward	2 254 165 839			(1 436 419)	239 846 582	2 492 576 003	(230 750 845)		(37 349 346)	11 363					2 492 57
her Assets															
ice Equipment	1 067 066		12 500	(11 444)	-	1 068 122	(321 336)		(273 097)	11 444		(582 989)			4
miture & Fittings ts and Containers	980 170		622 307			1 602 477	(358 468)		(192 599)	387		(550 681)			10
ergency Equipment	153 746					153 746	(100 771)		(18 614)			(119 384)			
tor vehicles	42 277 603	2 122 898	4 436 609	(1 562 785)		47 274 325	(18 658 005)		(18 614) (5 483 689)	(620 478) 1 376 841		(23 385 331)			23 8
e engines															
fuse tankers															
mputer Equipment	4 414 476		623 484	(1 782)		5 036 177	(2 036 569)		(833 902)	1 782		(2 868 689)	-		2 1
nputer Software (part of computer equipment)															
her Assets	3 122 152		121 690	-		3 243 843	(963 287)		(749 357)			(1 712 644)			15
	52 015 213	2 122 898	5 816 589	(1 576 011)		58 378 690	(22 438 435)		(7 551 258)	1 390 453		(29 219 717)			29 1
ance Lease Assets															
ice Equipment	-				-							-			
ter Assets															
	2 306 181 053		5 816 589	(3 012 429)	239 846 582	2 550 954 692	(253 189 280)		(44 900 604)	1 401 816		(29 219 717)			2 521 7

### APPENDIX C ANALYSIS OF HERITAGE ASSETS as at 30 June 2016

-

		C	ost / Revalua	as at 50 June 2					
			JSL / Revalue		-				
						Impairment			
						loss/Reversal			
				Under		of impairment		Other	
	Opening Balance	Additions	Disposals	Construction	<b>Closing Balance</b>	loss	Transfers	movements	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Art collection	1 151 452	-	-	-	1 151 452	•	•	-	1 151 452
Work in Progress	1 151 452		-	-	1 151 452	-	-	-	1 151 452
Antiquities	-	-	-	-	-	-	-	-	-
Stamp collections	-	-	-	-	-	-	-	-	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-	-
Collections of rare books or manuscripts	-	•	-	-	-	-	-	-	-
Collection of rare books	-	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-
Graves and burial grounds	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-
Total	1 151 452	•	-	-	1 151 452	-	-	-	1 151 452

APPENDIX C
ANALYSIS OF HERITAGE ASSETS
as at 30 June -1

		Co	ost / Revalua	ation	-				
	Opening Balance R'000	Additions R'000	Disposals R'000	Under Construction R'000		Impairment Ioss/Reversal of impairment Ioss R'000		Other movements R'000	Carrying Value R'000
Art collection	1 151 452	•	-	-	1 151 452	-	•	-	1 151 452
Work in Progress	1 151 452	-	-	-	1 151 452	-	-	-	1 151 452
Antiquities	-	-	-	-	-	-	-	-	-
Stamp collections	-	-	•	•	•	•	•	•	-
Collections of insects and butterflies	-	-	-	-	-	-	-	-	-
Collections of fossils	-	-	-	-	-	-	-	-	-
Collections of rare books or manuscripts	-	-	•	•	•		•	•	-
Collection of rare books	-	-	-	-	-	-	-	-	-
Manuscripts	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	•	•			•	-
Graves and burial grounds	-	-	-	-	-	-	-	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-
Total	1 151 452	•	•	•	1 151 452	-	•	-	1 151 452

#### ZULULAND DISTRICT MUNICIPALITY APPENDIX D SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT for the year ended 30 June 2016

							ioi tile year e	year ended so June 2016								
				Cost / Revalu	ation					Accumulated Dep	reciation					
	Opening Balance	Prior Year Adjustment		Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Prior Year Adjustment		Additions	Disposals	Closing Balance	Transfers	Other movements	Carrying value
	R			R	R	R	R	R			R	R	R			R
Executive & Council	44 788 991	1 126 601	-				45 915 592	(10 696 538)	(339 997)		(1 238 162)		(12 274 698)		-	33 640 894
Finance & Admin	54 981 101	152 392	-	388 065		(2 365 943)	53 155 615	(27 387 690)	(123 534)	(1 160 914)	(6 322 379)	2 225 703	(32 768 814)	(0)	-	20 386 801
Planning & Development	3 243 843	358 180	-	94 144		(91 670)	3 604 496	(1 712 644)	(124 221)	(232 690)	(595 158)	91 170	(2 573 542)		-	1 030 953
Health							-									-
Community & Social Services	14 933 380	-	-	-		-	14 933 380	(790 220)		-	(2 133 560)	-	(2 923 780)		-	12 009 600
Public Safety	153 746	-	-	-			153 746	(119 384)	-	3 074	(16 802)		(133 112)		-	20 634
Water	2 421 248 319	581 512	-	107 716	376 000 138	(72)	2 797 937 614	(244 004 849)	(19 725)	812 584	(42 625 238)	39	(285 837 190)		-	2 512 100 424
Other							-					-				
Total	2 539 349 380	2 218 685	-	589 925	376 000 138	(2 457 685)	2 915 700 442	(284 711 325)	(607 477)	(577 946)	(52 931 298)	2 316 912	(336 511 135)	(0)	•	2 579 189 307

		A SEGMENTAL STATEMEN	STRICT MUNICIPALITY PPENDIX E IT OF FINANCIAL PERFORMANCE ended 30 June 2016		
2 015	2 015	2 015	2016	2016	2016
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
	44 670 777	(44 670 777) Executive & Cour	ncil -	44 859 960.31	(44 859 960)
308 125 154	114 813 770	193 311 384 Finance & Admin	357 440 293	111 173 774.00	246 266 519
9 531 613	17 215 935	(7 684 322) Planning & Devel	lopment 6 795 605	16 347 197.00	(9 551 592)
8 387 680	42 797 199	(34 409 519) Community & So	cial Services 1 869 109	42 195 997.00	(40 326 888)
378 254 755	334 903 386	43 351 369 Water & Sanitatio	on 530 418 279	328 876 728.00	201 541 551
704 299 202	554 401 067	149 898 135	896 523 286	543 453 656	353 069 629



Auditor-General of South Africa

# Zululand District Municipality Audit report 2015-16

# Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Zululand District Municipality

# Report on the financial statements

# Introduction

1. I audited the financial statements of the Zululand District Municipality set out on pages x to x, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

# 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 the 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 the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Auditor-general's responsibility

- My responsibility is to express an optnion on the financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. 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.
- 4. 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 appropriates made by management, as well as evaluating the overall presentation of the financial statements.
- 5. I believe that the audit evidence i have obtained is sufficient and appropriate to provide a basis for my audit opinion.

# Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zululand District Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

# **Additional matters**

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

Unaudited supplementary schedules

8. The supplementary information set out on pages x to x 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.

## Unaudited disclosure notes

 In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements, and accordingly, I do not express an opinion thereon.

# Report on other legal and regulatory requirements

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof. I have a responsibility to report findings on the reported performance information against predetermined objectives for the selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

# Predetermined objectives

- 11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the Basic service delivery, Local economic development as well as Good governance and public participation development priorities presented in the annual performance report of the municipality for the year ended 30 June 2016.
- 12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

- 13. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.
- 14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 15. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected three development priorities.

# **Additional matters**

16. I identified no material findings on the usefulness and reliability of the reported performance information for the selected three development priorities, however, I draw attention to the following matters.

# Achievement of planned targets

17. The annual performance report on pages x to x and x to x presents information on the achievement of planned targets for the year.

## Adjustment of material misstatements

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Basic service delivery as well as Good governance and public participation development priorities. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **Compliance with legislation**

19. I performed procedures to obtain evidence that the municipality complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## Annual financial statements

20. The annual 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 capital commitments identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

# Procurement and contract management

- 21. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulations 17(a) and (c).
- 22. Person in service of the municipality whose close family member had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

# Expenditure management

23. There was no evidence that reasonable steps were taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

## Internal control

24. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

## **Financial management**

25. Management did not perform adequate review procedures and reconciliations in respect of financial reporting and compliance with laws and regulations which led to the financial statements being material misstated.

## Other report

26. I draw attention to the following engagement that could potentially impact the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of this engagement.

## Investigation

27. The department of Cooperative Governance and Traditional Affairs appointed an independent consulting firm to conduct an investigation covering the period 1 July 2011 to 30 June 2012. The investigation relates to allegations of nepotism, misappropriation of municipal assets and cash, contravention of SCM policies and regulations, irregularities in human resources management as well as the abuse of subsistence and travel allowances and overtime payments. The investigation has been finalised and the municipality is awaiting the final report thereon from the department.

Audikor-General

Pietermaritzburg 30 November 2016



Auditing to build public confidence