

ZULULAND DISTRICT MUNICIPALITY

ANNUAL REPORT

ASSESSMENT REPORT FOR THE 2019/2020 FINANCIAL YEAR



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1. ABOUT THIS ANNUAL REPORT

Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

The purpose of an annual report is:

(a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;

(b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and

(c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

This Annual Report is therefore a reflection or record of activities and performance that demonstrates the state of the Zululand District Municipality as of 30 June 2020.

2. FOREWORDS

2.1. MESSAGE FROM HIS WORSHIP THE MAYOR

To be developed incorporated.

2.2. STATEMENT BY THE ACCOUNTING OFFICER

To be developed incorporated.

3. CHAPTER 1 –PROFILE OF THE ZULULAND DISTRICT MUNICIPALITY

3.1. Municipal Functions

The Zululand District Municipality is a Category C municipality administered under a collective executive system.

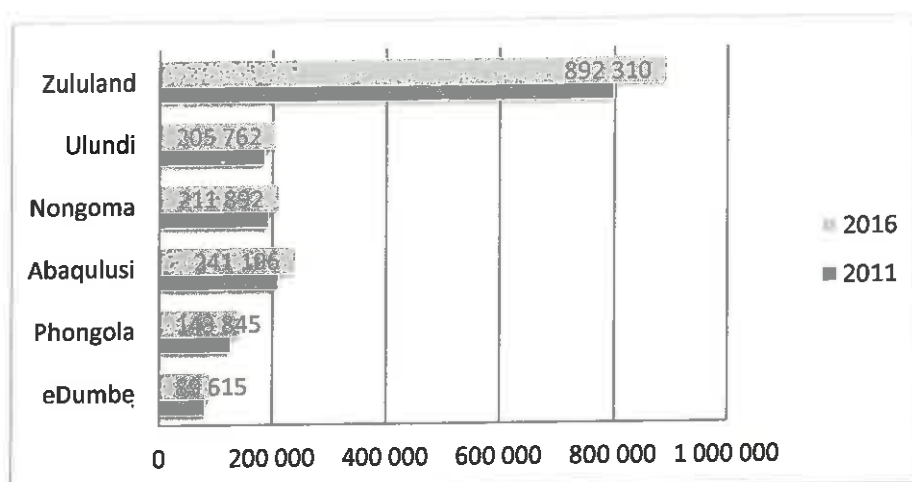
According to Section 84. (1) A district municipality has the following functions and powers:

- (a) Integrated development planning for the district municipality as a whole including a framework for integrated development plans for the local municipalities within the area of the district municipality taking into account the integrated development plans of those local municipalities.*
- (b) Bulk supply of water that affects a significant proportion of municipalities in the district.*
- (c) Bulk supply of electricity that affects a significant proportion of municipalities in the district.*
- (d) Bulk sewage purification works and main sewage disposal that affects a significant proportion of municipalities in the district.*
- (e) Solid waste disposal sites serving the area of the district municipality as a whole.*
- (f) Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.*
- (g) Regulation of passenger transport services.*
- (h) Municipal airports serving the area of the district municipality as a whole.*
- (i) Municipal health services serving the area of the district municipality as a whole.*
- (j) Fire fighting services serving the area of the district municipality as a whole.*
- (k) The establishment, conduct and control of fresh produce markets and abattoirs serving the area of the district municipality as a whole.*
- (l) The establishment, conduct and control of cemeteries and crematoria serving the district as a whole.*
- (m) Promotion of local tourism for the area of the district municipality.*
- (n) Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.*
- (o) The receipt, allocation and if applicable the distribution of grants made to the district municipality.*
- (p) The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.*

3.2. Demographic Profile

A combination of sources have been used to interpret the statistics relating to the demographic statistics. These are StatsSA Census 2011, Census Community Survey 2016 and Global Insight 2015.

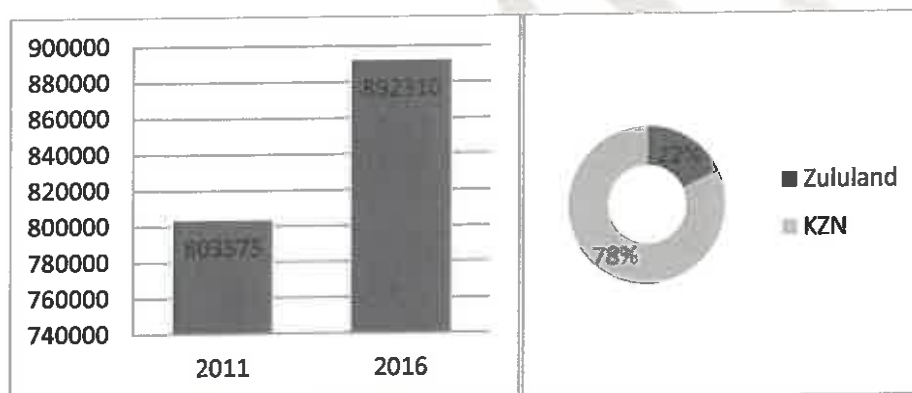
Figure 1 Local Municipality population comparison between 2011-2016



According to Census 2016 figures, Zululand District experienced an increase in its total population figures from 803 575 in 2011, to 892 310 in 2016.

Most of the district's **population** in 2016 resides in Abaqulusi (241 196), Nongoma (211 892) and Ulundi (205 762) local municipalities. The smallest population is recorded as 89 615 for eDumbe. In terms of percentage contribution, Abaqulusi contributes the highest percentage (27.5%) towards Zululand's population, followed by Nongoma and Ulundi with 23.8% and 23.1%, respectively.

Figure 2 District population

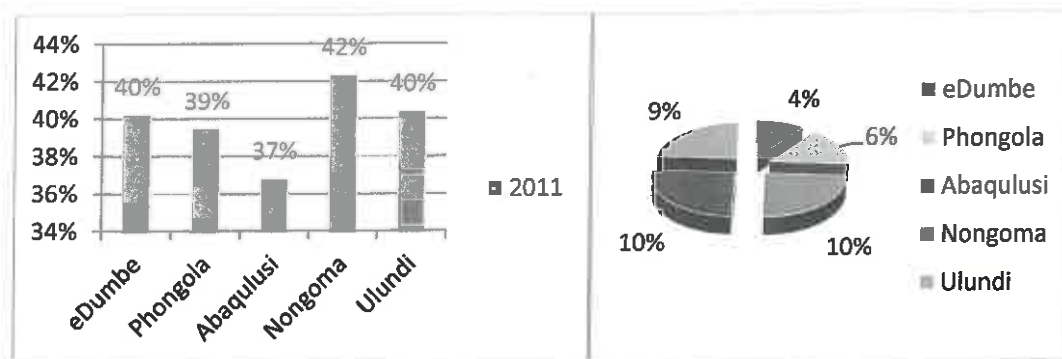


According to census, the population in the Zululand District Municipality grew by 1.45% in 2011 from 803,535 to 892,310 in 2016.

Between 2011 and 2016, the Zululand growth rate rose from 1.2% to 1.4% which is on par with its neighbouring districts.

The Zululand District Municipality contributes 22% to the provinces population.

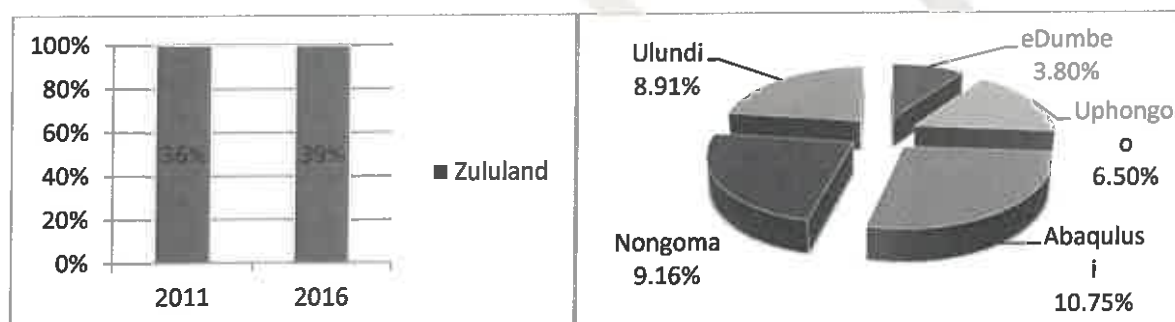
Figure 3 District population 0-14 age group



In 2011 40% of the Zululand population belonged to the age-group 0-14 years.

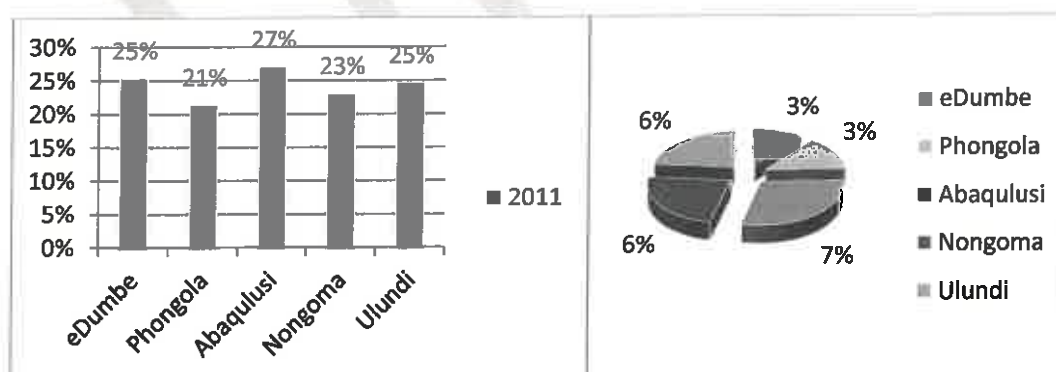
42% of the population in Nongoma belongs to this age group followed by Ulundi and Edumbe. Ophongolo has 39% with Abaqulusi at 37%. Nongoma (10%), Abaqulusi (10%) and Ulundi (9%) contribute the highest to the 0-14 age-group in the district.

Figure 4 Percentage district population 15-34 age group



Between 2011 and 2016, the age group 15-34 or youth increased from 36% to 39%. In 2016, Abaqulusi contributes the largest percentage of youth to the district with 10.75%. Nongoma and Ulundi follows closely at 9.16% and 8.91% respectively. Ophongolo (6.50%) and eDumbe (3.80%) contributes the smallest.

Figure 5 District population 15-34 age group



Adults contribute 24% to the Zululand District population.

27% of Abaqulusi's population is adults followed by eDumbe and Ulundi at 25%. Nongoma contributes 23% and Ophongolo 21% respectively. Abaqulusi (7%), Nongoma (6%) and Ulundi (6%) contribute the most to the district population in terms of this age group.

3.3. Socio Profile

A total population of 596 680 in Zululand is considered economically active (ages of 15-64). Abaqulusi has the largest economically active population at 165 020. Ulundi and Nongoma follow with economically active populations of 138 977 and 136 603 respectively.

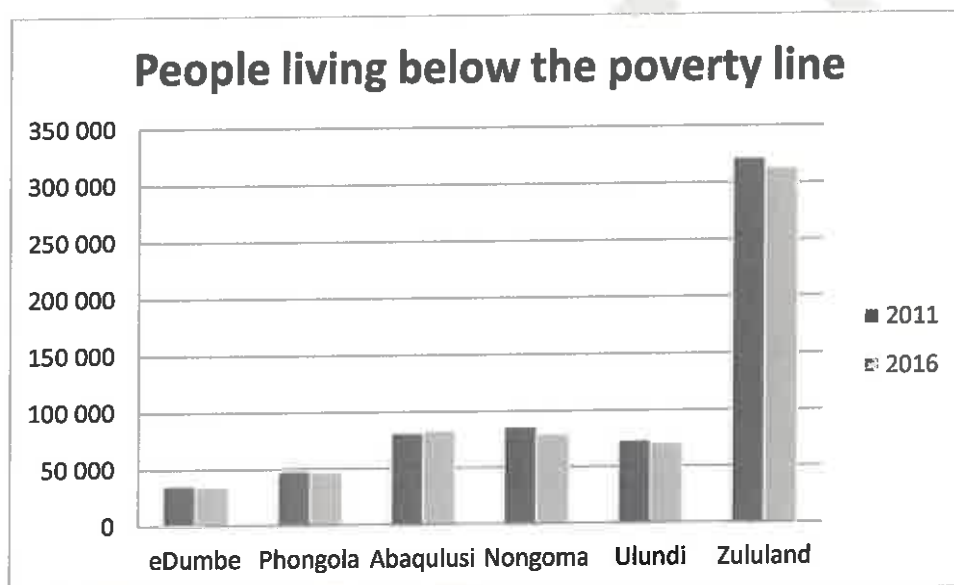
On the same scale Abaqulusi has the largest unemployment rate at 30.5% followed by eDumbe (25.7%); Ulundi(22.7%). The lowest unemployment rate is recorded by Nongoma at 17.6%.

The labour force participation rate in Zululand is 31.6% compared to a provincial average of 48.4%

According to the KZN Provincial Treasury KZN Multiple Deprivation Index in 2011 Zululand have relatively lower levels of deprivation than most other municipalities within the province. Of the five local municipalities, eDumbe and uPhongolo are classified as having the highest levels of deprivation.

The table below demonstrates population living below the poverty line in Zululand.

Figure 6 Local Municipality general labour indicator comparison



Source: Global Insight, 2017

313 212 (Community Survey 2016) people live below the poverty line in Zululand as compared to 321 881(Census 2011) which is a mere reduction of 8669.

3.4. Impact Of Hiv/Aids

A comparison between 2001 and 2011 HIV/AIDS statistics for the district shows a worsening of the situation, with figures reflecting an increase in both the HIV/AIDS prevalence rate and HIV/AIDS related deaths in Zululand over the period.

The high prevalence of HIV/AIDS poses a severe developmental challenge the district, as HIV/AIDS inhibits economic growth by reducing the availability of human capital. The labour force shrinks as more people fall sick and/or die, resulting in a young labour force that lacks experience, subsequently leading to reduced productivity and a smaller skilled population.

In overall terms, the Zululand District made a limited contribution to the economy of KwaZulu-Natal in 2011, i.e. contributing only 3.0 % to the provincial economy at a growth rate of 1.4%.

4. THE ZULULAND DISTRICT ECONOMY

Table 1 Sectoral performance

Sector	2006	2011	2015
Agriculture	8.30%	9.80%	9.70%
Mining	9.80%	9.00%	10.30%
Manufacturing	6.60%	6.30%	6.00%
Electricity	5.80%	5.50%	5.10%
Construction	3.60%	3.60%	3.60%
Trade	10.60%	10.50%	10.50%
Transport	7.90%	8.10%	8.30%
Finance	11.40%	12.10%	12.10%
Community services	28.70%	28.10%	27.60%

The community sector contributed 27.60% to the district GVA in 2015.

Manufacturing, which is the highest economic contributor in the province made a comparatively smaller contribution to the District economy (6.0%). Despite the District being largely dependent on the sector for employment, agriculture only made a 9.70% contribution to the district economy. In 2015, agriculture, mining, trade and accommodation, and general government sectors made larger contributions than in other areas of the province.

Key areas of concern are the significant gaps between the percentage of working age population, employment and the large numbers of not economically active residents, indicating high dependency levels. Abaqulusi and Ulundi Local Municipalities provide the largest number of formal and informal jobs within the district economy. However, it is important to note that none of the local municipalities are able to provide sufficient jobs for the working age population.

The figure below depicts the share of each local municipality in total employment (formal and informal) for Zululand. Abaqulusi hosts the largest proportion of the population that are employed (41309) followed by Ulundi (20983). eDumbe contributes the lowest towards district employment levels (11478 of the total employed in the district).

4.1. Infrastructure Profile

Human Settlements

According to the Census Community Survey there are **178,516 households** across the Zululand District Municipality. This is less than 10% of total households in the whole of KwaZulu Natal.

About **32.3 % (57,702)** of these dwellings in the Zululand District Municipality are classified as traditional.

53.8% (96,091) of the households in the Zululand District Municipality are headed by women which is 10% higher than the rate in KZN.

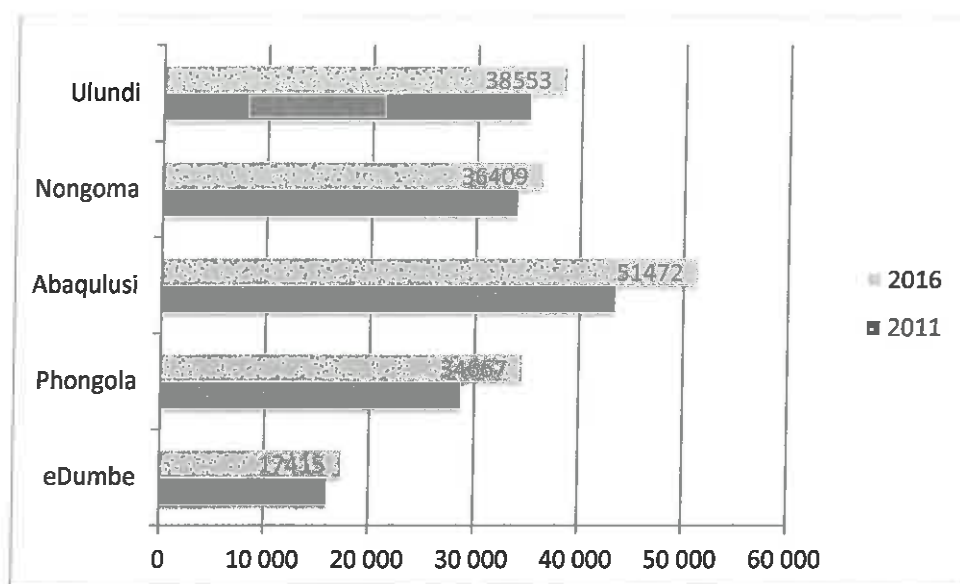


Figure 7 Households per Local Municipality

The majority of the households are in the area of Abaqulusi (51,472) followed by Ulundi (38,553), Nongoma (36,409), oPhongolo (34,667) and eDumbe (16,107).

The table below provides a summary of the status of access in respect of water and sanitation within the Zululand District and its five constituent local municipalities.

Table 2 Access to services

Municipality	Water		Sanitation		Electricity	
	2011	2016	2011	2016	2011	2016
	Households serviced	Households serviced	Households serviced	Households serviced	Households serviced	Households serviced
Abaqulusi	30 604	37 418	25 590	27 200	31 223	11 709
eDumbe	10 400	10 738	11 570	11 221	10 127	41 400
Nongoma	9 435	7 518	12 088	17 106	21 851	23 256
Ulundi	18 513	23 283	20 988	12 808	25 825	25 825
uPhongolo	15 026	24 791	12 334	10 674	21 004	87 185

Source: Statistics SA, Community Survey 2016

Between 2011 and 2016, more than 9000 households received access to water. During the same period, more than 1600 households received access to sanitation. Improvement percentages in water access were found oPhongolo, Abaqulusi and Ulundi while vast improvement for sanitation is recorded in Nongoma and Abaqulusi.

On access to electricity Nongoma recorded the most improvement.

Table 3 Access to electricity

Municipality	Total Households	No of H/H electrified (2016)	No of H/H Backlog	% Backlog per LM
Abaqulusi	51472	11709	39763	77%
eDumbe	17415	4140	13275	76%
oPhongolo	34667	8718	25949	75%

Nongoma	36409	23256	13153	36%
Ulundi	38553	25825	12728	33%
Total	178516	73648	104868	59%

At an average cost of R22,000 per household to provide electricity to a rural household the approximate capital cost required to eradicate the backlog per local municipality can be seen in the table below:

Municipality	HH Backlog	Budget (mill) @ R22,000 per HH
Abaqulusi	11709	257 598 000
eDumbe	13275	292 050 000
Nongoma	13153	289 366 000
Ulundi	12728	280 016 000
oPhongolo	25949	570 878 000
Total	76814	1 689 908 000

Municipal District Roads

The table below illustrates the network statistics that excludes the provincial and the national roads.

Table 4 Road infrastructure backlogs

Authority	Paved Roads (km)	Unpaved Roads(km)	Total(km)
Abaqulusi LM	195.98	727.18	923.16
eDumbe LM	35.61	243.95	279.56
Nongoma LM	10.14	602.02	612.16
Ulundi LM	101.14	740.08	841.22
uPhongolo LM	46.9	390.07	436.97
Total	389.77	2703.3	3 093.07

Zululand District Municipality and its Local Municipalities, still have a huge backlog in terms of addressing the basic needs of its population. The challenge is also due to the inherent regional spatial disintegration which must begin to allow previously disadvantaged communities to also enjoy the same opportunities and benefits as those enjoyed by previously advantaged communities. In this regard, Roads and Transport play a crucial role in facilitating movement amongst these communities and business centers in respect of underpinning socio-economic development and sustainability.

Through Rural Road Asset Management System (RRAMS) the District Municipality will be fulfilling its constitutional mandate, which requires that the District establish, manage, regulate and control municipal roads, which form an integral part of a road transport system for its area of jurisdiction. Furthermore RRAMS

("the project") will afford the district capacity to fortifying its plenary foresight by having established Roads Asset Management Systems that can effectively support its infrastructure investment programme.

Table 5 Road infrastructure assets

Unpaved Roads	Paved Roads	Traffic Count Stations	Bridges	Culverts	Ancillary Assets
2703.3	389.77	157	41	21	8779

According to the RRAMS 2016, the district municipality a total road network of 2030km. The current RRAMS indicates that the municipality now has a total of 3093km. Of that total 2703.3km is unpaved. 390km is paved.

Table 6 Paved road network

Local Municipality	Paved Road Network Condition					Length (km)
	Very Good	Good	Fair	Poor	Very Poor	
Abaqulusi LM	1.93%	6.09%	13.32%	27.96%	50.70%	139.62
eDumbe LM	0%	6.98%	29.75%	34.69%	28.57%	33.07
Nongoma LM	6.53%	1.58%	22.46%	27.34%	42.08%	8.55
Ulundi LM	8.94%	10.27%	16.26%	22.82%	41.72%	81.33
uPhongolo LM	6.23%	7.64%	22.53%	39.71%	23.89%	37.05

Source: RRAMS 2019

The capital investment required to repair the road network is indicated below:

Table 7 Capital investment needed to repair the paved road network by local municipality

Local Municipality	Replacement Value
Abaqulusi LM	R166 400 000.00
eDumbe LM	R77 300 000.00
Nongoma LM	R29 400 000.00
Ulundi LM	R203 600 000.00
uPhongolo LM	R95 500 000.00

Abaqulusi has the longest road network of which more than 80% of the paved network is in a poor state. Ulundi has the second longest road network with more than 60% in a poor state. There is an urgent need for the implementation of road rehabilitation programmes in all municipalities of Zululand.

Table 8 Unpaved road network

Local Municipality	UnPaved Road Network Condition					Length (km)
	Very Good	Good	Fair	Poor	Very Poor	
Abaqulusi LM	4.29	5.2	20.05	34.07	36.4	633.97
eDumbe LM	31.12	1.97	14.05	23.74	29.12	157.66
Nongoma LM	0.03	4.03	8.17	9.18	78.59	417.29
Ulundi LM	5.08	7.9	23.22	16.13	47.68	452.88
uPhongolo LM	38.15%	10.7	15.23	8.66	27.26	199.37

Source: RRAMS 2019

Once again Abaqulusi LM has the longest unpaved road network in the district. More than 70% of this network is in an unacceptable state. This is followed up by Ulundi and Nongoma with 90% and 70% of their networks in an unacceptable state respectively.

The capital investment required to repair the road network is indicated below:

Table 9 Capital investment needed to repair the unpaved road network by local municipality

Local Municipality	Current Replacement Value
Abaqulusi LM	R6 785 225.44
eDumbe LM	R4 876 254.18
Nongoma LM	R3 655 921.02
Ulundi LM	R5 947 526.20
uPhongolo LM	R2 491 478.32

Through IGR structures and other structures, the District will seek to co-ordinate the efforts of all municipalities to invest in the repair of their road networks, which will result in increased economic investment into the region.

Rail Transportation

The most important rail link in the Zululand District is the coal line from Mpumalanga through Vryheid to the Richards Bay Coal Terminal from where the product is exported. The line runs from Witbank through Piet Retief, Paul Pietersburg, Vryheid East, Ulundi to Richards Bay. Although initially designed to convey 21 million tons of coal exports per annum, the route was upgraded in 1989, and in 1997 it conveyed 62 million tons of coal to Richards Bay. The Coal Line Study, conducted in 1999 found that there is approximately 17 general freight trains on the line, transporting 30 000 tons of goods to Richards Bay, including ferro-chrome, granite, chrome, steel and timber. Although most of the freight is loaded north of Zululand substantial amounts of timber is loaded in the eDumbe and Vryheid areas.

Civil Aviation

The District has two airports of note, viz the Ulundi Airport and the Vryheid Airport. However, due to a discontinuation of scheduled flights to Vryheid in the mid-1980s, the Vryheid airport is no longer licensed, and the municipal parks department maintains the airport.

The ownership of the Ulundi airport was transferred from the Office of the Premier to the Zululand District Municipality in April 2007. For the next three years the KwaZulu-Natal provincial government provided financial assistance to the District Municipality to subsidize the cost of operations at the airport, and allow for the training of District Municipality staff to operate the facility, the re-laying of the main runway, upgrading of fire and rescue equipment, and the installation of all-weather navigational instruments. Clearance was obtained from the Civil Aviation Authority for commercial flights to be resumed, in recognition of the vital role the airport has to play in local development.

The airport then commenced with the handling of commercial flights on a daily basis between Virginia Airport in Durban to Ulundi, and flights to Oribi Airport in Pietermaritzburg in 2012, with a view to stimulating both business and tourism growth in the district.

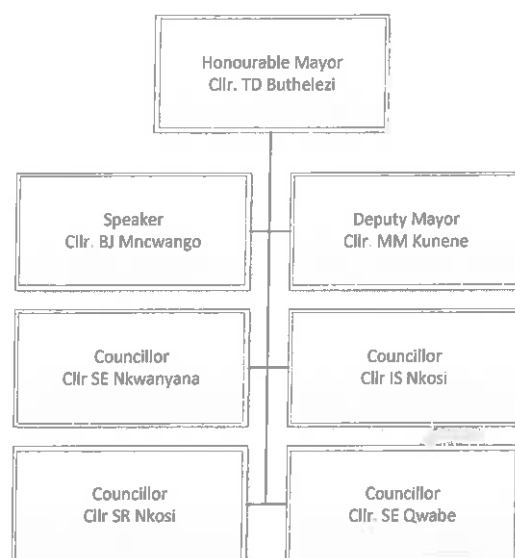
4.2. Summative Key Challenges List

- Maintain functionality of Council structures
- Maintenance of EDMS system (collaborator) thereby ensuring accurate record keeping.
- Ongoing support to the LED sub-forums to continue functioning.

- Maintenance and continual improvement of GIS system.
- Ensure continued compliance with legal financial requirements.
- Improve vertical and horizontal alignment thereby ensuring coordinated service delivery by all spheres of government.
- Prioritization of needs of marginalized groups.
- Formulation and compliance with Risk Management Framework and Strategy.
- Maintain functionality of IDP organizational arrangements internally and externally.
- To further diversify the district's economy.
- Ongoing support of tourism initiatives.
- Harness agri-processing opportunities in the district, notably venison production, leather processing and traditional medicines.
- Foster timber product ion opportunities.
- Improve rural road network to ensure improve linkages between settlements, rural nodes and municipal centres.
- Harness opportunities relating to small scale mining.
- Ensure indigent policy remains updated and relevant.
- Ensuring ongoing monitoring of water balance in rural areas.
- Commit and implement approved MIG business plans for roll-out of water and sanitation services in the district.
- Ensure disaster management forums remain functional.
- Redress disparities between levels of services and development in the urban and rural areas.
- Improve access to formal waste disposal system.
- Provision of adequate land to cater for anticipated required burial space.
- Ongoing efforts to clarify the responsibilities between Local and District Municipality as well as the Department of Transport in respect of road maintenance and construction.
- Improve the limited capacity of the electricity network in the southern portions of the District.
- Improve functionality of Council oversight committee in particular.
- LLF (Local Labour Forum) to meet more regularly.
- Risk reduction strategies and actions to be defined and implemented.
- Seek clarification in respect of the land reform programme roll-out/implementation.

5. CHAPTER 2 – GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

5.1. Political Governance Organogram



The figure above shows the Executive Committee of the Zululand District Municipality during the period under review

5.2. Political Governance Performance

Portfolio Committees

Table 10 Portfolio Committee performance

DESCRIPTION	DATE
Finance and Budgeting; Community and Social Development, LED and Tourism Portfolio Committee	13/08/2019; 04/12/2019; 12/02/2020
Planning and GIS Portfolio Committee	06/08/2019; 19/03/2020
Corporate, Disaster, Health and Safety Portfolio Committee	05/09/2019; 04/11/2019; 14/02/2020
Municipal Public Accounts Committee	22/08/2019; 21/02/2020; 24/06/2020

Table 11 Council and EXCO Meeting performance

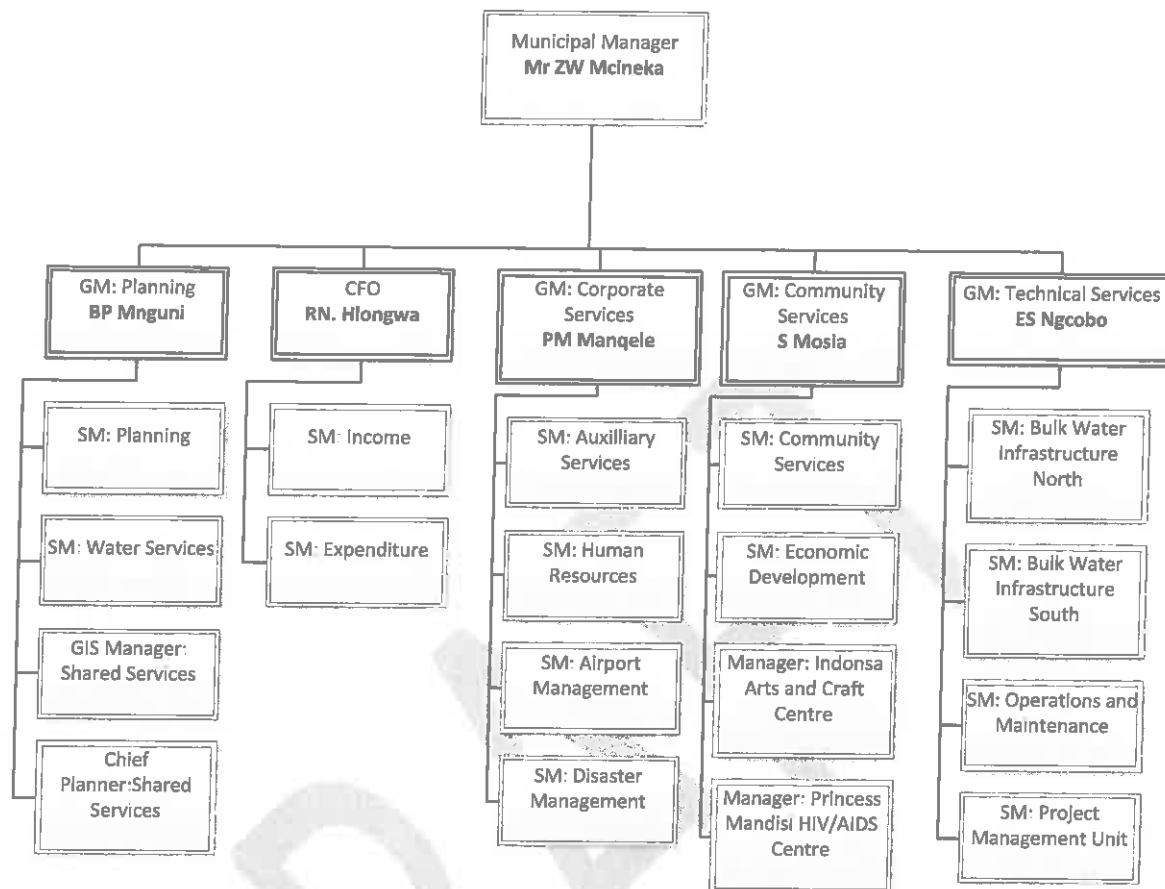
COUNCIL AND EXCO MEETINGS	DATE
EXCO	07/08/2019; 27/08/2019; 25/09/2019; 30/10/2019; 17/01/2020; 20/02/2020; 08/05/2020; 27/05/2020; 23/06/2020; 30/06/2020
FULL COUNCIL	05/07/2019; 20/08/2019; 28/08/2019; 27/09/2019; 08/11/2019; 28/11/2019; 04/12/2019

5.3. Administrative Governance

Human Resources

The Management Team of the municipality comprises of Senior and Middle Management.

During the period, the Municipal Manager is Mr Z.W. Mcineka.



Planning Department

General Manager: Mr BP Mnguni

The Planning Department provides strategic support to the Council towards ensuring integrated development planning. The Department also houses the Water Services Authority.

The Department has 3 divisions including Planning Administration, Water Services Authority and Project Management Unit.

Budget & Treasury Office

General Manager: Mr RN Hlongwa

The Budget & Treasury Office applies Municipal financial management practice which involves managing a range of interrelated components such as Planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is effective and efficient and that municipalities can be held accountable.

This department has 2 divisions including Income and Expenditure. Expenditure includes Supply Chain Management.

Corporate Services Department

General Manager: Mr PM Manqeke

The Corporate Services department provides an integrated administrative support service to the municipality focusing on institutional development, administration, management and governance.

The Department has 4 divisions including Auxiliary Services, Human Resources, District Airport Management and Disaster Management.

Community Services Department

General Manager: Mr S Mosia

The Department promotes the district economic and social development as well as developing the people's quality of life in an inclusive and sustainable manner.

The Department has 6 divisions including social development, Youth, Gender & Disabled, HIV/AIDS, Arts and Craft, Local Economic Development and Municipal Health Services

Technical Services

General Manager: Mr ES Ngcobo

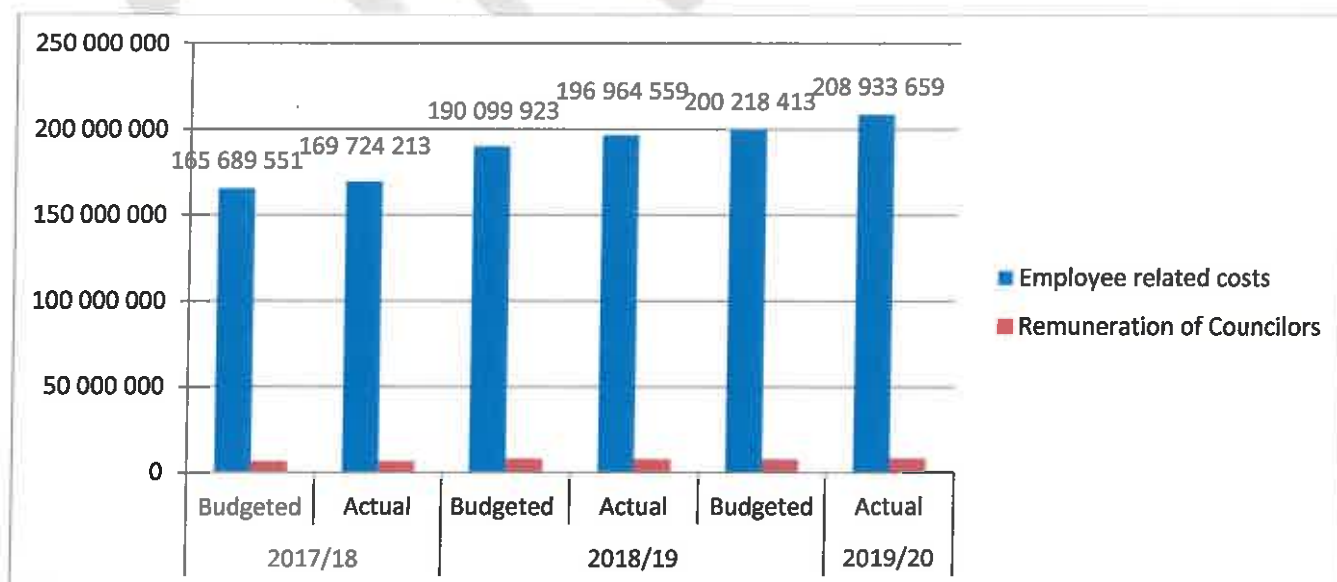
The Technical Services Department is a Water Services Provider for its area of jurisdiction. Focus is aimed at Water and Sanitation Services which are provided through the implementation of Regional Water Supply Schemes Programme (RWSS), Rudimentary Water Supply Schemes (Interim) and Sanitation (VIP Toilet) Programme and Emergency Relief.

The Department has 3 divisions including the Project Management Unit (PMU), Bulk Management as well as Operations and Maintenance.

Organizational Personnel Related Expenditure

The following tables summarises the final audited personnel related expenditure by programme and by salary bands. In particular, it provides an indication of the following:

- amount spent on personnel
- amount spent on salaries, allowances and medical aid.



According to notes 28 of the Audited Financial Statements, employee costs increased in 2019/20 for employee related costs from R196,964,559 to R208,933,659 possibly due to increase in employment and also those initially not budgeted for. According To note 29 Councillor remuneration also increased for the same period.

Benefits paid by municipality such as vehicle, housing, telephone allowances, leave encashment			
Category	Costs		
	2017/18	2018/19	2019/20
Motorcar allowances	R 6 795 990	R 6 011 168	R6 438 706
Housing benefits	R 1 053 780	R 1 120 597	R1 142 187
Cellular	R 462 400	R 491 248	R506 396
Leave pay provision charge	R 4 276 470	R 4 756 104	R5 465 388
Total	R 12 588 640	R 12 379 117	R13 552 677

The employees related costs also include overtime, homeowner allowances and medical aid and performance bonuses that are paid to Senior Management.

The costs associated with the Councillors allowance is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of the Public Office Act, 1998 (Act 20 of 1998).

Employment and Vacancies

The following summary indicates the number of posts on the establishment, the number of employees and the vacancy rate.

Table 12 Posts and vacancy 3 year comparison

Department	2017/18		2018/19		2019/2020	
	No. of Posts	No. of Vacancies	No. of Posts	No. Vacancies	No. of posts	No. of vacancies
Finance	57	1	62	3	63	6
Technical	374	21	405	24	484	42
Planning	21	0	29	2	33	4
Community	58	1	71	3	92	10
Corporate	65	3	54	11	59	8
MM's Office	-	-	38	2	37	1

The number of posts increased after the organogram was reviewed and adopted by Council in March 2019 to align organizational capacity to its service delivery model demand.

Senior Manager Appointments

The Municipal Manager and all Senior Managers reporting to the Municipal Manager are appointed.

Signing of Performance Agreements

All Senior Managers reporting to the Municipal Manager signed performance agreements for the 2019/2020 financial year in July 2020 with the exception of the HOD: Technical Services.

The Performance Agreements were forwarded to the MEC: COGTA by 04 August 2019.

Performance Rewards

There is no performance rewards awarded for the 2019/20 financial year. As at 30 June 2020, performance is in the process of being cascaded to other levels of staff.

Measuring of Performance for other levels of employees

There is no system of financial performance reward for other levels of staff at the moment. The policy for cascading of performance has been approved by Council for possible implementation in the next financial year.

Job Evaluations

The analysis also provides statistics on the number of posts that may have been upgraded or downgraded.

Job evaluations were conducted for all posts and submitted to SALGA. At the time of drafting this Annual Report, the results thereof had not been received from SALGA.

Employment Changes

This section provides information on changes in employment over the financial year. This is an indicator for rate of turnover in the departments.

Table 13 Appointments and terminations as at 01 Jul 2020

Total No. of Posts	No. of appointments	No. of terminations	No. of rate of turnover
768	20	29	3.80%

There was an increase of 109 in the total number of employees when compared with the 2018/2019 financial year. The turnover decreased from 4.4% to 3.80% in the 2019/20 financial year.

Employment Equity

Table 14 Occupational Levels (gender and race)

Type	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	5	0	0	1	0	0	0	0	0	0	6
Senior management	9	0	0	0	6	0	0	0	2	0	17
Professionally qualified and experienced specialists and mid-management	46	0	0	1	33	1	0	1	0	0	82

During the 2019/20 financial year there was one addition to the top management temporarily filling the post of HOD: Technical Services, thus bringing top management to 6.

There were senior management positions filled increasing this level from 09-11 compared to the same period last financial year.

There was an additional 2 posts filled increasing the professionally qualified and experienced category from 46-48 compared with the same period last year.

Leave Utilization and Trends

Table 15 Sick and Annual leave per employee category; state of accrued leave

Annual Leave			Sick Leave			Accrued leave		
17/18	18/19	19/20	17/18	18/19	19/20	17/18	18/19	19/20
6160	5764	4382	2830.05	2871	2289	134.2	290.52	554

There was a decrease of 1382 leave days taken in the 2019/20 financial year compared with the same period last year, possibly due to stronger enforcement of leave taking controls.

Similarly there was a decrease of 582 sick leave days taken by employees in the 2019/20 financial year.

Accrued leave increased to 263 days in the 2019/20 financial year.

Labour Relations

Table 16 Disciplinary issues

Disciplinary issues (nature of issue)	Pending				Concluded				Suspensions			
	16/17	17/18	18/19	19/20	16/17	17/18	18/19	19/20	16/17	17/18	18/19	19/20
	None	None	None	None	None	None	None	None	None	None	None	None

There were no recorded disciplinary issues or suspensions during the 2019/20 financial year which is consistent with the previous financial years.

Skills Development & Capacity Building

Table 17 Employees trained including expenditure

Department	2017/18		2018/19		2019/20	
	No. Trained	Total Expenditure	No. Trained	Total Expenditure	No. Trained	Total Expenditure
Councillors	25	R 1 208 444	33	R 290 904	34	R 624 589
Finance	17		25		20	
Technical	120		4		61	
Planning	5		3		7	
Corporate	29		11		35	
Community	13		4		32	

Employee training increased in the 2019/20 financial year after it had been heavily reduced in the prior financial year due to cost cutting measures. However it does not compare with the expenditure of the 2017/18 financial year due to the continued management of cashflows.

Financial Policies

- Budget Policy
- Virement Policy
- Credit control policy
- Debt write off-policy
- Banking and investment policy
- Funding and Reserve policy
- Supply Chain management policy
- Asset Management Policy
- Asset Loss control policy
- Indigent support policy
- Insurance Policy
- Tariff Policy
- Subsistence and Travelling Policy

Other Policies

	Name of Policy	Date adopted	Next Review
1	Affirmative Action	31 Jan 2020	NA
2	Attraction and Retention	31 Jan 2020	NA
3	Code of Conduct for employees	31 Jan 2020	NA
4	Delegations, Authorisation & Responsibility	31 Jan 2020	NA
5	Disciplinary Code and Procedures	31 Jan 2020	NA
6	Essential Services	31 Jan 2020	NA
7	Employee Assistance / Wellness	31 Jan 2020	NA
8	Employment Equity	31 Jan 2020	NA
9	Exit Management	31 Jan 2020	NA
10	Grievance Procedures	31 Jan 2020	NA
11	HIV/Aids	31 Jan 2020	NA
12	Human Resource and Development	31 Jan 2020	NA
13	Information Communications Technology	31 Jan 2020	NA
14	Job Evaluation	31 Jan 2020	NA
15	Leave	31 Jan 2020	NA
16	Occupational Health and Safety	31 Jan 2020	NA
17	Official Housing	31 Jan 2020	NA
18	Official Journeys	31 Jan 2020	NA
19	Official transport to attend Funerals	31 Jan 2020	NA

20	Official Working Hours and Overtime	31 Jan 2020	NA
21	Organisational Rights	31 Jan 2020	NA
22	Payroll Deductions	31 Jan 2020	NA
23	Performance Management and Development	31 Jan 2020	NA
24	Recruitment, Selection and Appointments	31 Jan 2020	NA
25	Remuneration Scales and Allowances	31 Jan 2020	NA
26	Resettlement	31 Jan 2020	NA
27	Sexual Harassment	31 Jan 2020	NA
28	Skills Development	31 Jan 2020	NA
29	Smoking	31 Jan 2020	NA
30	Subsistence and Travelling (Officials)	31 Jan 2020	NA
31	Subsistence and Travelling (Councillors & Senior Managers)	31 Jan 2020	NA
32	Public Participation Policy	31 Jan 2020	NA
33	Communications Policy	31 Jan 2020	NA
34	Grants In Aid Policy	31 Jan 2020	NA
35	Social Media Policy	31 Jan 2020	NA
36	Special Skills	31 Jan 2020	NA
37	Uniforms and Protective Clothing	31 Jan 2020	NA
38	Water Use Policy	31 Jan 2020	NA

All policies have been reviewed and will be tabled to Council in November 2020. Inputs from Councillors were incorporated and will now be tabled for adoption in January 2020.

5.4. PERFORMANCE MANAGEMENT

For the municipality to achieve its objects its performance is measured against compliance with various applicable legislation. The municipality is required in all material respect to comply with the following key legislation,

The Municipal Systems Act requires municipalities to develop a performance management system that is suitable for their own circumstances.

Performance Management is located in the Planning Department.

Performance-based management is a systematic approach to improving performance, via an ongoing process of establishing strategic performance objectives; measuring performance; collecting, analyzing, reviewing, and reporting performance data; and using that data to drive performance improvement.

The performance management system or framework must describe how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organized and managed, while determining the roles of different role-players.

The PMS Framework 2017-2022 was adopted by Council on the 28th March 2017.

Performance Review and monitoring takes place in October, January, April and August every financial year. Legislation makes provision for performance reporting to be tabled to Council at least twice in a financial year. See Internal Audit & Performance Management Committee below.

As at 30 June 2018, performance evaluation applies to section 54 and 56 managers and does not cascade to other levels of employees.

The policy for cascading of performance to other levels of employees has been adopted by Council. The rollout of the cascading will take place from the third quarter of the 2019/2020 financial year.

5.5. AUDITING AND OVERSIGHT

In its annual audits, the Auditor-General of South Africa examines financial and non-financial information of the municipality to determine:

- Fair representation and absence of material misstatements in the financial statements
- Reliable and credible performance information for purposes of reporting on pre-determined performance objectives
- Compliance with all legislation governing financial matters

5.5.1. Audit Outcome

There are 3 categories of audit outcomes. These include clean audit, Unqualified Audit, Disclaimer.

In the 2018/2019 financial year the municipality received a Qualified Audit Opinion.

In 2019/20 the municipality received another Qualified Audit Opinion. Two factors that led to the qualified opinion include:

Revenue from exchange transactions

- The municipality did not account properly for revenue from service charges in accordance with GRAP 9, Revenue from Exchange Transactions.

Water Losses

- Insufficient appropriate audit evidence for water losses.

The formal audit outcome for the 2019/20 is a Qualified Audit Opinion. According to the Zululand District Municipality Audit for the year ending 30 June 2020 the basis for a qualified opinion are:

Service charge revenue and trade receivables from exchange transactions

Auditor General states that the municipality did not properly account for revenue from service charges in accordance with GRAP 9, Revenue from exchange transactions. Service charge revenue was not based on accurate consumption and reasonable charges. The AG was unable to determine the impact on the service charge revenue and trade receivables as it was impractical to do so. In addition, the AG was unable to obtain sufficient and appropriate audit evidence for revenue and receivables because the metering records were inadequate as AG was unable to confirm the service charge revenue and trade receivables from exchange transactions by alternative means. Consequently AG was unable to determine whether any further adjustments were necessary to service charge revenue stated at R37,63 Million (2018-19: R33,5 Million) in note 21 and to the related receivables from trade exchange transactions stated at R22, 89 Million (R2018-19: R17,60 Million) in note 4 to the financial statements.

Water Losses

Auditor General states that they were unable to obtain sufficient appropriate audit for water losses. AG continues to say that this was due to inadequate systems and processes for monitoring and recording of these losses. AG could not confirm the disclosed water losses through alternative means. Consequently AG was unable to determine whether any adjustments were necessary to the water losses stated at R14, 35 Million (2018: R21, 38 Million) in note 55 to the financial statements.

These outcomes are detailed fully in the Auditor General's Audit Report for the year ended 30 June 2020 (Page 1) which is attached as annexure B. The outcomes are also the same as the previous financial year and it is unlikely that a water loss and demand system will be installed completely in the next 3 – 4 years due to the capital investment required for such a system. Council has also approved for the administration to seek alternative sources of funding to fasttrack infrastructure service delivery to communities including water loss and demand management. Procurement is currently underway.

In so far as the Annual Performance Report is concerned, (Page 4) other matters that were material but not qualifying were as follows:

Infrastructure and Services

AG states that they were unable to obtain sufficient, appropriate audit evidence to support the reported achievement of various indicators.

Audited Financial Statements

Although they were submitted to AG, note 25 of the AG opinion states that the Audited AFS were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, non current liabilities, other income, revenue and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and the supportive records that could not be provided resulted in the financial statements receiving a qualified opinion.

In its report on audit of compliance with legislation, the AG cited the following issues:

- Annual Financial Statements (paragraph 25)
- Procurement and contract management (paragraph 26-29)
- Expenditure management (paragraph 30)
- Revenue management (paragraph 31-32)
- Strategic Planning and performance management (paragraph 33)
- Other Information (paragraph 34-37)
- Internal control deficiencies and (paragraph 38-40)
- Other reports (paragraph 41-43)

These issues are detailed fully in the Report on the Audit Opinion of the AG(Annexure B)

The municipality takes these findings seriously and hence they will be addresses within the provisions of the Constitution and the Municipal Systems Act Section 4(2)(d) which makes provision for the council of the municipality, within the municipality's financial and administrative capacity with having regard to practical considerations to strive to ensure that municipal services (including its mechanisms) are provided to the local community in a financially sustainable manner.

Internal Audit

Internal Audit was outsourced to Price-WaterHouse Coopers for the period under review. A Chief Audit Executive was also appointed by the municipality. The audit commences every quarter to produce a report which is tabled to the Audit and Performance Management Committee. The Internal Audit is guided by the Internal Audit Charter and Audit Plan which are tabled to the Audit and Performance Management Committee.

The Audit Plan (which is risk based) and Audit Charter for the 2019/2020 financial year was tabled to the Audit Committee in August 2019.

The Internal Audit conducted internal audits as per the Audit Charter as follows:

- a. 08/08/ 2019
- b. 30/01/ 2019
- c. 13/05/2019
- d. 30/06/2020

Audit and Performance Management Committee

The Zululand District Municipality has an established Audit and Audit Performance Management Committee in accordance with section 166 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to section 14(2)(c) of the Regulations and MFMA Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2016 (King IV).

The Audit and Performance Management Committee, consisting of independent, external members listed below, is required to meet at least 4 times per annum as per the Audit Committee Charter, although additional meetings may be called as the need arises.

Members of the Audit and Performance Committee are as follows:

Member	Designation	Attended
Ms. Z Dlamini(Chairperson)	External	4/4
Mr R. Nhleko	External	4/4
Mr. EN Sithole	External	4/4
Ms. N Thungo	External	4/4
Mr MA Ngcobo	External	4/4

The Audit Committee has met more than 4 times for the financial year under review as displayed in the table below.

Meetings of the Audit Committee		
2017/18	2018/19	2019/20
23/08/2017	24/08/2018	08/08/2019
30/11/2017	08/11/2018	17/07/2020
01/02/2018	07/05/2019	13/11/2020
19/04/2018	14/06/2019	TBD
31/05/2018		TBD

Oversight Committee

The section 79 oversight committee was established as per schedule 5 of the Local Government: Municipal Structures Act 1998 (Act 117 of 1998). The oversight committee comprises of a chairperson elected by the municipal council, members of the committee as well as a committee secretary.

5.6. RISK MANAGEMENT

The Local Government: Municipal Finance Management Act, No 56 of 2003 (Section 62) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

The risk assessment exercise for the 2019/2020 was facilitated by Price-waterhouse Coopers during the 2nd quarter of 2020. Senior Management and Middle Management were part of the process to provide inputs. Risk management becomes an important part in any business because of an increase in probability of occurring of events that could have positive or negative impact in the business. The municipality has risk management committee in place and effective. However, there was no formal reports received from risk management committee to the Audit Committee.

The Management Committee monitors management of risks on the register in their Management Meetings held every Monday.

No significant identified risks could not be mitigated for the period under review.

5.7. ANTI-CORRUPTION AND FRAUD

According to Section 155 (1) of The Local Government: Municipal Finance Management Act, No 56 of 2003 The accounting officer of a municipality or municipal entity must take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

It must be noted that a Fraud Prevention Strategy is in place and a Code of Conduct for Municipal staff and its Councillors in terms of the Municipal Systems Act was applied by the Municipality.

No fraud and corruption was detected for the period under review.

5.8. CODE OF CONDUCT

Section 112 of The Local Government: Municipal Finance Management Act, No 56 of 2003 requires that a supply chain management policy must make provision for compulsory disclosure of any conflicts of interests prospective contractors may have in specific tenders and the exclusion of such prospective contractors from those tenders or bids. *See Anti-Corruption and Fraud*

5.9. SUPPLY CHAIN MANAGEMENT

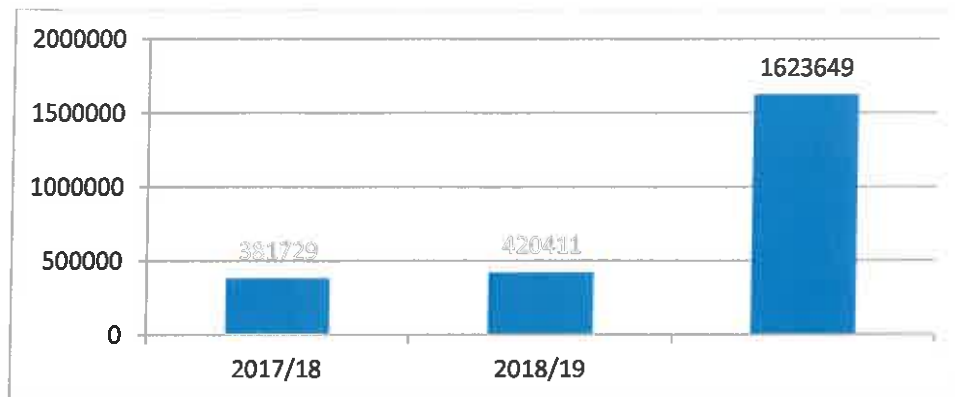
Description	Total Value (2018/19)	Total Value (2018/19)
Quotations Awarded	R9 755 144.71	tbd
Deviations	R21 835 177.78	R30 010 744.00

During the period under review the municipality saw an increase of R8, 175,566.22 in Section 36 deviations compared to the 2018/19 financial year (note 50).

The Council had developed and approved its Supply Chain Management (SCM) Policy that is in line with Municipal Supply Chain Management (SCM) Regulations as issued by national Treasury. In an endeavour to ensure compliance and standardisation of the SCM Policy all amendments are submitted to Council for approval. The SCM Unit is centralised and reporting to the office of the Chief Financial Officer as required by regulation 7(1) of Municipal Supply Chain Management Regulations. Section 115 of the MFMA that deals with segregation of duties is complied with.

The audit committee noted weaknesses of the SCM unit in that most of the quotations and tenders did not follow the normal process when procuring goods and services of the municipality. Many of the goods and services were purchased via deviations circumventing the normal process.

5.10. Unauthorised, Irregular Fruitless and Wasteful Expenditure



According to note 47 of the Audited Financial Statements Fruitless and wasteful expenditure for the period under review amounts to R1, 623,649.00, an increase of more than R1,2 Million from 2018/19. The reasons have been listed in the Auditor General's Report.

According to note 48 of the Audited Financial Statements Irregular expenditure for the same period amounts to R35, 711,449.00 a huge decrease of R122, 254,723 from the 2018/19 financial year.

An SCM Manager has been appointed to streamline and refine systems and processes of the SCM unit in line with the MFMA, Municipal Supply Chain Management Regulations, SCM Policy and other laws and help reduce instances of irregular, fruitless and wasteful expenditure.

5.11. INTERGOVERNMENTAL RELATIONS

Intergovernmental Relations (IGR) in South African context concern the interaction of the different spheres of government. The Constitution declares that government is comprised of National, Provincial and Local spheres of government which are distinctive, interdependent and interrelated. According to the Constitution of the Republic of South Africa, Act, No.108 of 1996, Section 41 (2), an Act of Parliament must establish or provide structures and institutions to promote and facilitate Intergovernmental Relations and provide for appropriate mechanisms and procedures to facilitate settlement of Intergovernmental disputes. The table below demonstrates the number of times that the different segments of IGR met during the financial year under review:

Name of Forum	No. of Meetings (2017/2018)	No. of Meetings (2018/2019)	No of Meetings (2019/20)
Mayors Forum	01	03	03
MMs Forum	01	03	03
CFOs Forum	01	03	03
Corporate Services Forum	01	02	03
Technical Services Forum	01	02	03
Planning & Development Forum	00	03	03

5.12. PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipality did not establish IDP roadshows due to the National Lockdown Regulation Disaster Management Regulations.

6. CHAPTER 3 – STRATEGIC PRIORITIES

KPA Ref.	Key Performance Area	SOOG Ref.	Strategic Oriented Outcome Goal(SOOG)	SO Ref.	Strategic Objective(SO)	2019	2020	2021	2022
1	Basic Service Delivery & Infrastructure	SOOG 1.1	All categories of Municipal Infrastructure and resources are stable and maintained (<i>Water & sanitation, disaster & fire management, district airports & district roads</i>)	SO 1.1.1	Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment (<i>Effective Asset Management, internal & community capacity building, collecting revenue, tariffs, monitoring & evaluation, environmental management</i>)		x	x	x
		SOOG 1.2	Access to the full package of municipal services offered to the community is efficient, affordable, economical, acceptable quality, sustainable and supports economic growth (<i>Build capacity, optimisation & beneficiation</i>)	SO 1.2.1	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipal services that local communities are entitled to (<i>Including all government facilities</i>) (<i>Mobilise funding, service delivery model, manage indigents</i>)	x	x	x	x
2	Local Economic & Social Development	SOOG 2.1	The municipality's competitive advantage in agriculture, natural environment, culture and heritage is exploited optimally to create jobs, increase tourism and improve food security		Capacitate and provide emerging farmers with support		x	x	x

SOOG 2.4	The health of communities and citizens is improved (Water quality, environmental health, pollution and HIV/AIDS)	SO 2.4.1	Partner with local or neighbouring institutions (including institutions of higher learning) to assist in conducting water quality and other sample laboratory test	x	x	
			SO 2.4.2	Assess environmental health risk, provide information to the public and implement a range of programmes and projects to create partnerships including but not limited to communities, health services, environmental affairs, agriculture, housing department and private sector	x	x
			SO 2.4.3	Collaborating with communities, relevant sector departments institutions and private sector about the needs& methods to reduce pollution (air & land)	x	x
			SO 2.4.4	Reduce the impact of HIV/AIDS by partnering with communities and stakeholders, constantly evaluating, monitor, refine and implementing interventions focused on the scourge	x	x
			SO 2.5.1	Monitor and improve social cohesion through partnerships by enhancing implementation human community development, sports, cultural & social events targeted at vulnerable groups (youth, females, elderly)	x	x
SOOG 2.5	Inequalities, exclusions and disparities which engender divisions, distrust and conflict are reduced (Social cohesion, partnerships, vulnerable groups)					

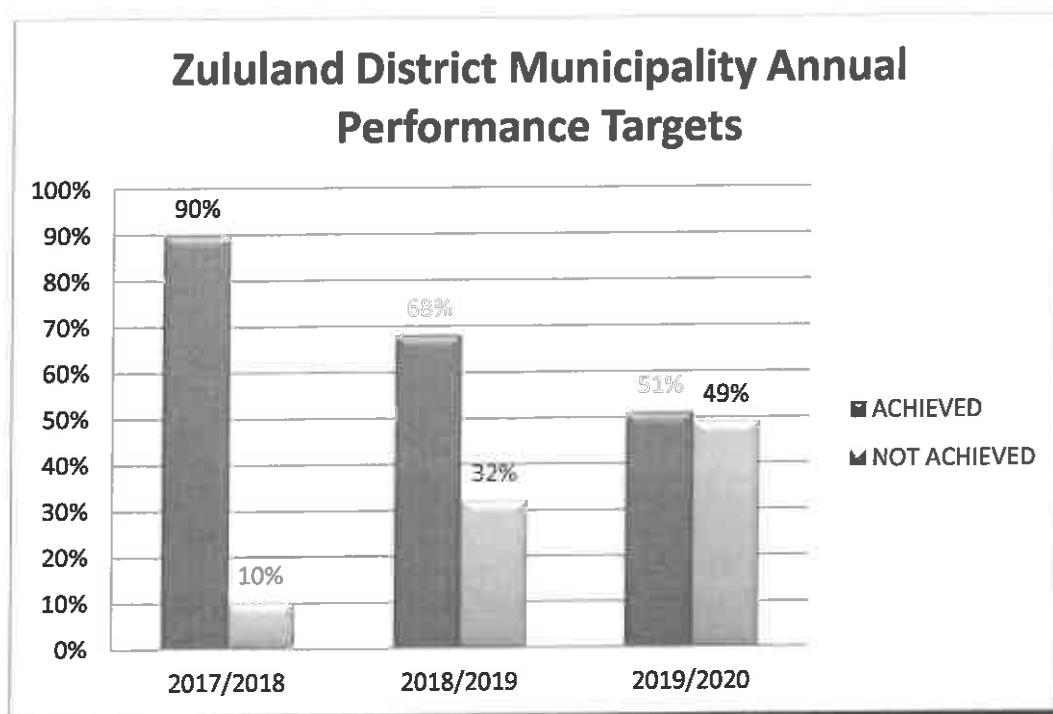
		Municipal Financial Viability & Management						X	X	X
			SOGG 3.1	Municipality is financially viable	SO 2.5.2	Co-ordinate community safety activities with identified government departments, community and private sector to contribute towards reduction of community safety		X	X	X
			SOGG 3.2	Sustainable budgeting, cashflow and expenditure management is achieved	SO 3.1.1	Establish and maintain a healthy financial state by maintaining a balance between assets and debt, operational efficiency, managing operating expenditure and increasing revenue		X	X	X
			SOGG 3.3	Statutory compliance and accurate financial reporting is consistent	SO 3.2.1	Apply sound financial management practises to keep a positive cash balance, coverage and liquidity ratios		X	X	X
			SOGG 3.4	To enhance infrastructure, equipment and resources as a tool to fastrack service delivery	SO 3.3.1	Manage, monitor and review existing financial systems to support accurate and credible reporting, budget monitoring and compliance		X		
					SO 3.4.1	Refine procurement systems and processes to respond to the demand for services		X	X	X

4	Good Governance & Public Participation	SOOG 4.1	A sound customer/client relationship, improved accountability and responsiveness to the community is achieved and sustained	SO 4.1.1	Effectively handling of community enquiries and responding through an effective customer care service		x	x	x
				SO 4.1.2	Promoting transparent and accountable governance through regular community engagements and effective administration		x	x	x
				SO 4.1.3	Monitor, review and improve community satisfaction through quality of life surveys			x	
		SOOG 4.2	Statutory compliance is achieved	SO 4.2.1	Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in line with any applicable legislation		x	x	x
5	Municipal Transformation & Development	SOOG 4.3	Culture of fraud and corruption is eliminated	SO 4.2.2	To discourage fraud and corruption through effective enforcement of fraud and corruption policy as well as monitoring and implementation of consequence management		x	x	x
		SOOG 5.1	Strong career pathing is achieved	SO 5.1.1	Investing in a workforce to meet service delivery demand through implementing a culture of continuous learning and improvement		x	x	x

		SOOG 5.2	Ethical governance and leadership that effectively optimises service delivery	SO 5.1.2	Promoting sound labour relations through promoting effective human resource practises		x	x	x
				SO 5.2.1	Optimise workforce productivity by enforcing a sound organizational culture		x	x	x
				SO 5.2.2	Monitoring, review and progressively improve service delivery performance through improvement of business processes and systems, performance auditing, risk management and oversight		x		
				SO 5.2.3	Building adequate infrastructure, equipment and resources to respond to service interruptions		x	x	x
				SO 5.2.4	Establishing consistency and alignment between the district and locals by regular co-ordination of intergovernmental Relations		x	x	x
				SO 5.2.5	Monitor and enhance compliance with health and safety standards to improve employee working conditions and the public		x	x	x
				SO 6.1.1	Promoting integrated human settlements using spatial development strategies, frameworks and policies		x	x	x
6	Spatial Planning & Environmental Management	SOOG 6.1	Compact human settlements that are socially cohesive						

7. CHAPTER 4 – SERVICE DELIVERY PERFORMANCE ANALYSIS FOR THE FINANCIAL YEAR 2019/2020

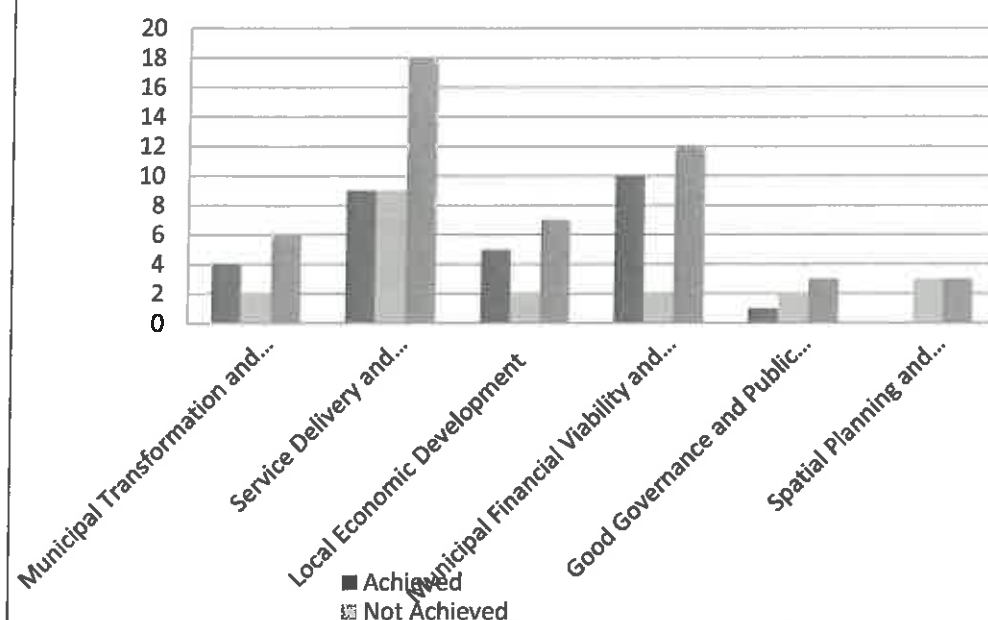
Overall the performance of the Zululand District Municipality declined from 68% to 51% between the 2018/19 and 2019/20 financial year.



The performance was audited by PricewaterHouse Coopers. The draft Annual Performance Report was tabled to the Audit Committee 28th October 2020.

The performance of the 2019/20 financial year will be used to inform review of the strategic plan and monitoring and evaluation framework of the Zululand District Municipality for the 2021/2022 financial year as well as the strategic direction for the 2021/2022 financial year.

The overall number of target achieved/not achieved per National KPAs



7.1. INFRASTRUCTURE & SERVICE DELIVERY PERFORMANCE

Water Provision

Each regional scheme footprint has a sustainable water source from where infrastructure is progressively being rolled out to all households within the supply area. The supply footprints have been identified in such a way that water can be provided to all households within the area in a sustainable manner and at the lowest possible cost (R/kl).

Water Backlog Analysis

For the period under review the Water Services Development Plan identified 183,642 households. 1,078 of these households are farmhouses.

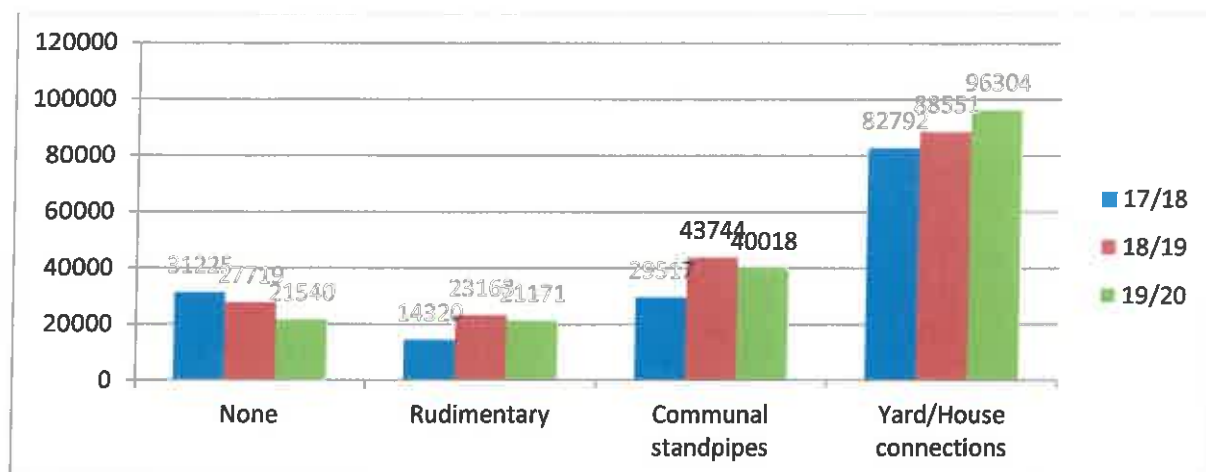
21,540 households had **none or inadequate** access to water against 27719 in 2018.

21,171 households are receiving the rudimentary level of service (less than RDP level of service) against 23,162 in 2018.

40,018 households are receiving communal standpipes (equal to RDP) against 43,744 in 2018.

96,304 households are receiving yard connections (**higher than the RDP level of service**) against 88,551 in 2018.

Figure 8 Water backlog trends



The backlog is defined by households receiving less than RDP level of services. If one looks at the table above, this is a combination of none + rudimentary.

ZDM has the following levels of service:

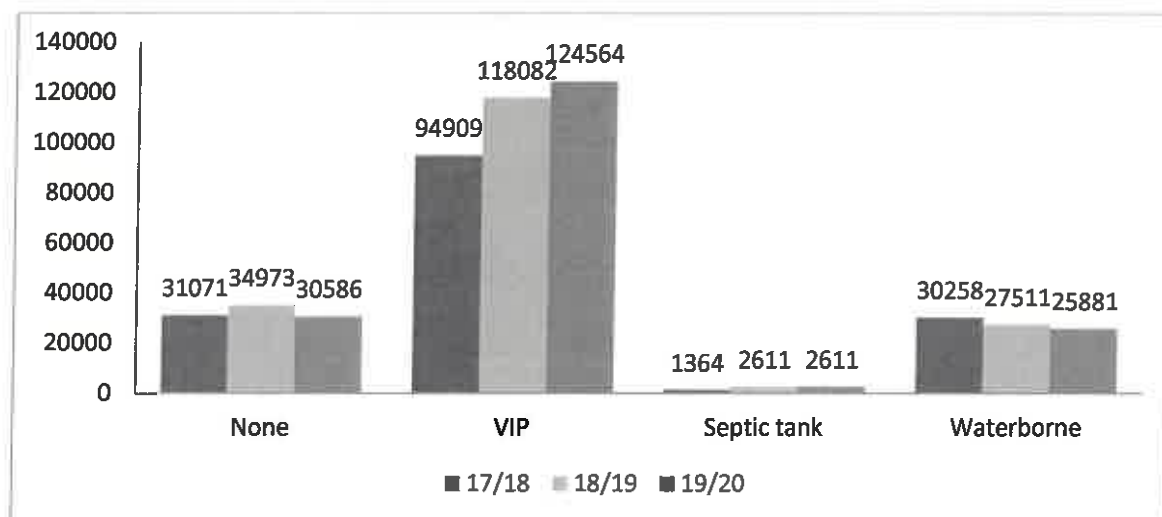
- Regional schemes
- Intermediate Stand-Alone Schemes
- Rudimentary Water Supply Schemes
- Rural Sanitation Roll-Outs(New Infrastructure and Phase 3 Replacement Programme)

Sanitation Provision

Sanitation in the rural areas is being provided in the form of dry-pit VIP toilets and the strategy is to implement these simultaneously with the roll-out of water services. This ensures a more effective impact with health and hygiene awareness training.

Sanitation Backlog

Figure 9 Sanitation backlog trends



Key water and sanitation projects implemented are as follows:

Figure 10 eDumbe Water Projects

PROJECT NAME	Ward Number & Village Name	Expenditure
Simdlangentsha West Regional Water Supply Scheme: Frischgewaard WTW-construction of a water treatment works - civils works	Edumbe LM, Bilanyoni, Ward 4	R 97 977 416.31
Simdlangentsha West Regional Water Supply Scheme: Frischgewaard WTW-Installation of Mechanical and Electrical equipment	Edumbe LM, Bilanyoni, Ward 4	R 16 189 531.28

Figure 11 Nongoma Water Projects

PROJECT NAME	Ward Number & Village Name	Expenditure
Usuthu RWSS: Construction of reticulation line at KwaMinya and Soshamase	Nongoma LM, KwaZiphethe and KwaMinya Ward 16	R 5 623 549.52
Usuthu RWSS: Construction of reticulation line at Nongoma south phase 3	Nongoma LM, Lindizwe, Ndikandika, Ward 9	R 4 281 997.13
Usuthu RWSS: Construction of reticulation line, bulk line standtaps and chambers Ophalule village	Nongoma LM, Ophalule, Ward 16	R 6 885 222.93
Mandlakazi RWSS: The construction of Mandlakazi RWSS: 19.8km Water Retic in Gwebu - Package 3C	Nongoma LM, Gwebu, Ward 4	R 7 606 891.18
Usuthu RWSS: Construction of Water Reticulation line at Kwadlabe	Nongoma LM, Kwadlabe, Ward 20	R 4 215 021.50
Usuthu RWSS: Construction of Water Reticulation line at Singageni	Nongoma LM, Singageni, Ward 20	R 7 252 290.28
Usuthu RWSS: Construction of Water Reticulation line at Ethokoza	Nongoma LM, Ethokoza, Ward 20	R 3 815 943.77
Usuthu RWSS: Construction of Water Reticulation line at Duma	Nongoma LM, Duma, Ward 10	R 4 093 855.77
Rudimentary: Windmills - St Paul Ward 15 Abaq , Jimane Ward 12 Abaq & KwaVilakazi(south): Supply and installation of windmill with 3 x 10kl Jojo tanks and 5 community stand pipes at St Paul, Jimane and KwaVilakazi	Nongoma LM, St Paul, Jimane and KwaVilakazi, Ward 24	R 3 303 359.76
Usuthu RWSS: Reticulation line at Nongoma South Phase 4	Nongoma LM, Lindizwe, Ndikandika, Ward 9	R 3 265 243.74

Rudimentary: DRILLING AND TESTING OF 70 BOREHOLES IN SOUTH OF ZDM	Nongoma LM,Ulundi LM and Phongola LM	R 0.00
Usuthu RWSS: Construction of Usuthu Water Reticulation Network PH1 - Primary & Secondary Reticulation Mains	Nongoma LM, KwaGomomdo : Ward 13; Ezilonyeni: Ward 14;Matshempuzi: Ward 15	R 1 346 424.60
Usuthu RWSS: Reticulation Upgrade Ward 14 Nongoma	Nongoma LM, Ward 14	R 0.00
Usuthu RWSS: Construction of Water Reticulation line at Sgodiphola	Nongoma LM, Sgodiphola,Ward 20	R 3 145 863.93
Usuthu Bulk: Concrete reservoir Nongoma CBD 1X 2,4ML: Concrete reservoir Nongoma CBD 1X 2,4ML	Nongoma LM, Nongoma town, Ward 9	R 15 414 042.76
Mandlakazi Bulk: Construction of Intermediate Pumpstation (WTW to Command Reservoir Upgrade to 10MI/day): Contruction of new pumpstation, including new 10MI supply pump set, construction of new 500Kl bulk reservoir, paved brick paved roadworks, parking area, retaining wall, storm-water drainage and tie-in to existing rising main and old reservoir.	Nongoma LM, Enkukhwini village , Ward 1	R 16 463 654.58
Mandlakazi RWSS: Bulk Gavity lines: Construction of (350,250 and 100)DN ductile iron gravity main, construction of 150 Kl reservoir C1, 500Kl reservoir D1 and access roads.	Nongoma LM, Kwamngwamunde, Ward 1	R 24 605 052.91
Nyokeni Self Build: Construction of eletrical poles for Pumpstation	Nongoma LM, Nzambakuluma & Emfenyane Ward 5	R 6 997 694.18
Completion of Holinyoka and Lindizwe Pumpstation: InletWork:Civil work, Pumpstation, substation and balancing tank	Nongoma LM, Lindzwe Ward 4 & Holinyoka Ward 9	R 16 253 980.20
NONGOMA RESERVOIRS AND ACCESS ROADS: NONGOMA RESERVOIRS AND ACCESS ROADS: GB5 (400KL) GB4 (1ML) and GB2 (600KL).	Nongoma LM, Nongoma town, Ward 5	R 16 471 525.67
Completion of Concrete Reservoir 7ML with Access roads and Usuthu Reservoir B: Constuction of a 7ML reservoir and 3 ML reservoir	Nongoma LM, Okwaleni Ward 20	R 18 887 538.02
Mandlakazi RWSS: Bulk Gavity lines: Construction of Mandlakazi Phase 5.5A Bulk Water Supply: 19KM of Bulk Gravity Mains, Associated Reservoirs, Pumpstation and Rising Main	Nongoma LM, Kwamngwamunde, Ward 1	R 48 210 223.14
Mandlakazi RWSS: Bulk Gavity lines: Construction of Mandlakazi Phase 5.5B: Bulk Water Supply: 24kmOF Bulk Gravity Mains and Associated Reservoirs	Nongoma LM, Mandlakazi,Kwamngwamunde, Ward 1	R 22 774 338.46

Kwankulu SAWWS - Kwankulu Phase 2 Water Supply: It involves the installation of a water network comprising approximately 8.7km of 25, 50 and 75mm diameter HDPE Class 10 and 16 pipe, 1.5km of 90mm uPVC pipe class 10. In addition, all associated fittings, isolating valves, air valves, scour valves, break pressure tanks etc. as well as scour protection and stream crossings will be constructed as part of the project.	Nongoma LM, Kwankulu, ward 13	R 4 295 875.09
Kwankulu SAWWS - Emgodi Water Reticulation: It involves the installation of a water network comprising approximately 18.1km of 25, 50 and 75mm diameter HDPE Class 10. In addition, all associated fittings, isolating valves, air valves, scour valves, break pressure tanks etc. as well as scour protection and stream crossings will be constructed as part of the project.	Nongoma LM, Emgodi, Manhlanhla, Ward 12 & 13	R 5 977 595.77
Kwankulu SAWWS - Kwamfemfeni Water Reticulation: It involves the installation of a water network comprising approximately 18.1km of 25, 50 and 63mm diameter HDPE Class 10. In addition, all associated fittings, isolating valves, air valves, scour valves, break pressure tanks etc. as well as scour protection and stream crossings will be constructed as part of the project.	Nongoma LM, Kwamfemfeni, Ward 12	R 5 813 172.71
The installation of 289 VIP Units in Singqnde, Mthicongo & Zidwandwe	Nongoma LM, Singqnde, Mthicongo and Ezidwadwen, Ward 5	R 1 500 106.83
The installation of 175 VIP Units in Ndimhlana & KwaFakude at Nongoma	Nongoma LM, Ward 5	R 1 652 917.22
The installation of 201 VIP Units in Newtown & Kethankomo at Nongoma	Nongoma LM, Kethankomo, Ward 5	R 1 841 845.95

Figure 12 uPhongolo Water Projects

PROJECT NAME	Ward Number & Village Name	Expenditure
The construction of bulk pipeline from Mozane Weir to Ombimini Reservoir – Phase 2	Uphongolo LM, Khiphunyawo, Mdiyane, Sgqumeni Ward 3, Orangedal Ward 3 and Kwamashaya, Kipval & Nkundla Ward 6	R 11 525 210.85

Figure 13 Abaqulusi Water Projects

PROJECT NAME	Ward Number & Village Name	Expenditure
Rudimentary North: Construction of 5.7Km HDPE pipeline with associated valves and chambers.	Abaqulusi LM, Bethal/Dekville Ward 4	R 2 485 261.28
Bhobozani: Bulk and Reticulation North	Abaqulusi LM, eMondlo, Ward 12	R 6 605 889.01
Bhobozani: Reservoirs and Southern Reticulation	Abaqulusi LM, eMondlo, Ward 12	R 9 425 269.79
Mondlo Bulk Water Supply: Refurbishment & Additions	Abaqulusi LM, eMondlo, Ward 9	R 19 621 576.76

Figure 14 Ulundi Water Projects

PROJECT NAME	Ward Number & Village Name	Expenditure
Rudimentary: Nkonjeni East Bulk: The construction of 9,1Km of 200mm uPVC bulk pipelines, with associated valves, chambers and borehole pumpstation	Ulundi LM, Ward 14 & 24	R 10 918 041.52
Rudimentary: Mpungamhlophe: The construction of 330m of 160mm uPVC bulk pipelines, 1,4Km of 90-50mm dia HDPE pipeline, with associated valves, chambers and 12 community stand pipes	Ulundi LM, Ward 7	R 2 930 925.90
Rudimentary: Mahlabathini Water supply: The construction of 7.7Km HDPE pipeline with associated valves and chambers	Ulundi LM, Mahlabathini, Ward 11	R 4 472 299.14
Rudimentary: Nkonjeni East Reticulation: The construction of 9.4Km of 50mm and 20mm HDPE pipeline with associated valves and chambers. The construction of 30KL and 50KL concrete reservoirs with associated fittings and chambers	Ulundi LM, Ward 14 & 24	R 9 286 823.16
Esphiva Phase 3 Amaphiva Stand Alone Bulk Pipeline: Construction of 1x 30KL and 2x 50KL reinforced concrete reservoirs and fencing	Ulundi LM, Amaphiva, Ward 7	R 8 080 933.56
Esphiva Phase 3 Amaphiva Stand Alone Reticulation : Construction of 12,8Km of 20-75mm dia HDPE piping and 120 house connections	Ulundi LM, Amaphiva, Ward 7	R 6 094 104.01
Esphiva: Nqulwane Reticulation	Ulundi LM, Ward 15	R 2 538 222.17

Construction of Mandlakazi Phase 5 Water Treatment Works: Water Treatment Works	Enkukhwini village , Ward 1	R 93 222 626.18
Esikhumbeni Stand Alone Water Supply Scheme : Installation of a water network comprising approximately 10.3 km of 25, and 50mm diameter HDPE Class 10 pipe. In addition all associated fittings, isolating valves, air valves, scour valves, break pressure tanks.	Ulundi LM, Nzambakuluma & Emfenyane Ward 5	R 3 753 587.30
Esikhumbeni Stand Alone Water Supply Scheme : Construction of R7 pumpstation(okhalweni)	Ulundi LM, Okwaleni Ward 5	R 3 512 688.84
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 10	Ulundi LM, Dayingubo, Ward 3	R 3 292 441.06
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 13	Ulundi LM, Ngobodo, Ward 3	R 4 156 975.33
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 05	Ulundi LM, Bhoholo, Ward3	R 5 480 097.39
Ceza Stand Alone Water Supply Phase 2: : Construction of Reservoir and Weir	Ulundi LM, Nomdidwa, Ward 3	R 3 976 416.24
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 06	Ulundi LM, Dakaneni / Magayiseni, Ward 3	R 4 587 080.09
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 09	Ulundi LM, Nhlwathini, Ward 3	R 4 073 756.52
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 12	Ulundi LM, Mkhulwane, Ward 3	R 2 978 840.45
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 04	Ulundi LM, Isihululu/Mguluze, Ward 3	R 2 155 813.00
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 11	Ulundi LM, Dayingubo, Ward 3	R 2 667 878.96
Ceza Stand Alone Water Supply Phase 2: : Construction of Reticulation pipeline 07	Eziqhwageni, Ward 3	R 3 328 535.80
Replacement of the Existing 600mm NB Steel Pipeline: Ulundi Terminal Reservoir to Site Valve House	Ulundi LM, Ward 12	R 20 207 879.31
Nkonjeni WSS: Water Demand Management:	Ulundi LM, Ward 14	R 170 085.00

Customer Care

It is the Zululand District Municipality approach that our customers are treated with respect and integrity. In this way we want to display our commitment to the principle of “customer first” and ensure that service excellent is an integral part of the planning and delivery of all municipal services to its people.

Out of a total of **344** queries and complaints logged by September 2019, only **144** were closed. Upon inspection it has been discovered that most of these issues were resolved however they were not closed on the system.

Key Projects implemented

- Conversion of schemes from being run using diesel engines to electricity pumps
- Adequate continuity of the water supply services.
- Improvements on water quality by utilization of the correct quality instruments.
- Increased sampling frequency.
- Prompt response to emergencies.
- Refurbishment of plant and equipment.
- Physical condition assessment of our water infrastructure
- Staff optimization; filling of gaps to improve operational efficiency.

Key Challenges

- Water Quality; Rudimentary schemes still remain a challenge, because most of them don't have proper treatment facilities e.g. filters and clarifiers.
- High cost to meet DWAF requirements in frequency of samples.
- Waste water quality; compromised by the age of waste water treatment facilities, ponds in particular.
- Design capacity of plants being exceeded.
- Power failures and load shedding.
- Turnaround time being too long for new power installation and response to power failures.

7.2. Municipal District Airports

The Zululand district has two airports, Ulundi Airport (Prince Mangosuthu Buthelezi Airport) and Vryheid Airstrip.



The District continually maintains Airport Operations compliant to relevant SACAA Regulations including pertinent ICAO and SA-CATS requirements though most of the airport infrastructure required to operate the facility in its designated category of operation, only complies with a bare minim safety and legal conditions. Refuelling Services are temporarily suspended as viability of providing this service is being investigated.

Airport Services consist of Airport Operations that include Admin Support, Rescue and Fire Fighting services compliant to relevant SACAA Regulations including pertinent ICAO and SA-CATS requirements for limited Category 2 operation with one Fire Tender and a fully equipped rescue Vehicle as well as other related infrastructure required to operate the facility in its designated category of operation in a safe and legal manner.

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

The Tourism Hub building continues to house the ZDM Tourism offices, Car Rental offices and a training facility with the car rental offices being rented out to generate a little income.

Projects Implemented for Year Under Review

Flights and passenger statistics are as follows:

Flights and passenger statistics are as follows:

Table 18 Prince Mangosuthu Airport Flights and passenger statistics

Item	2018/19	2019/20
Passenger Arrivals	574	564
Flights	217	100

A document on the proposed strategy for Airport Revitalization was prepared as well as a Business Plan for sourcing funds for upgrading the Airport.

The Airport is continually used by dignitaries i.e. His Majesty the King, the President, the Premier, Prince MG Buthelezi, National and Provincial Ministers and renowned business people like Zack Mines official who normally fly in their business jet.

Challenges

Operating the airport viably at the current moment is not practical. Incoming revenue is also not adequate to conduct preventative maintenance of the strong infrastructure and facilities of the airport. Both of these activities are putting a lot of pressure on the municipal finances which must be prioritised to address the community's basic needs. The municipality would also like to manage the airport at the highest possible category but this is not possible if the airport does not generate revenue and infrastructure is not maintained.

The increasing levels of development around the airport precinct on tribal land is also a challenge to maintain the national and international safety standards of airports as well as pilot landing and take-off guidelines.

The National Disaster Management Act prescribes lockdown regulations in a state of disaster The national lockdown regulations implemented during the 3rd quarter of 2019/20 had some effect on the operations of the airport. As can be scene from the stats above the traffic flow decreased although marginally from last financial year.

7.3. Disaster Management

The disaster risk management function and DMC in the municipality resort under the Corporate Services Department of the Zululand District Municipality. Zululand District Municipality Disaster Management Centre was established in 2006 and is fully operational. It is located at the Prince Mangosuthu Buthelezi Airport in Ulundi.

Status of Disaster Management Capacity/ Centre

Figure 15 High Level Disaster Management Organogram



The Disaster Management Centre operates 24/7.

Operational Function

The Zululand Disaster Management is placed under the Committee of Health and Safety Portfolio Committee that is where the committee takes decision and makes recommendations to the Council. The Chairperson for the said committee is the councilor responsible for Disaster Management and the other councilors from other Local Municipalities who are responsible for Disaster Management who also participate in the District Disaster Management Advisory Forum.

Zululand District Disaster Advisory Committee (DDMAC)

Zululand District Disaster Advisory Committee is fully functionally and was formed in terms of the Disaster Management Act No. 57 of 2002, Section 51 coupled to section 42, which requires the Municipality to establish a multi – disciplined structure consisting of representatives from the District Municipality, all category B Municipalities within the District, Provincial Departments who have a role play in the Disaster Management and have District offices within the area, Senior Representatives of the National Departments within the area and all role players i.e. All NGO'S in the district.

The District Disaster Management Advisory Forum (DMAF) is being utilized as a body in which a municipality and relevant disaster management role players in the municipality consult one another and coordinate their function on matters relating to disaster management. The Disaster Management Advisory Forum and Disaster Management Practitioners meet at least four times per year. Special Disaster Practitioners usually meets as and when need arises.

Table 19 ZDM Disaster Management IGR Meetings

ZDM PRACTIONER'S FORUM MEETING	ZDM ADVISORY FORUM MEETING
05 June 2019	20 June 2019
14 August 2019	28 August 2019
08 November 2019	27 November 2019

The Final Draft of the Zululand District Disaster Risk Management Plan has been approved on the 30th August 2018 by the Zululand District Municipality Council; It is done in software and hard copies. The Plan is ready and available at ZDM offices. Zululand District Municipality has budgeted District Management Plan to be upgraded to a Plan Level 3 according to the required standard.

Projects Implemented for Year Under Review

State of Readiness to respond to disasters

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, eDumbe and Abaqulusi).

Description and dates of disaster and disaster related incidents that occurred at ZDM

Zululand District Municipality has been continuously experiencing adverse weather conditions in some part of the Zululand District Municipality. Disaster Management teams from Zululand District Municipality in conjunction with local municipalities; government department (SASSA; Eskom and NGO's) worked very hard to provide primary and secondary response as well as provision of social relief based on the needs of the affected communities. According to assessment, Households and the great number of people were affected. It is also being indicated that major damages reported were structural collapse and roofs that were blown off by strong wind.

Our Disaster Management unit has conducted assessments in each of the 5 Local Municipalities and the findings are as follows:

Structures / Houses assessed:

- ❖ Abaqulusi Municipality : 107
- ❖ Edumbe Municipality : 35
- ❖ Uphongolo Municipality : 89
- ❖ Nongoma Municipality : 84
- ❖ Ulundi Municipality : 34

The following are the types of incidents occurred:-

- Fire;
- Strong winds;
- Lightning;
- Hail Storms; and
- Drought

During the assessments it was found that most of the above mentioned households ranged from partial to total destroyed of structures or houses, furniture was damaged and some food stuffs were affected. Zululand Disaster Management assisted with what they have, which is the immediate relief in the form of blankets; plastic sheets, grocery, coffin and all other funeral assistant when was required. Due to the limited funds available we did not able to reach to the entire assistant were required i.e. building material and housing rehabilitation.

The overall picture in so far as disasters that were responded to during the period under review is indicated below:

Table 20 Disaster Occurances by type

MUNICIPALITY	HEAVY RAINS	FIRE	STRONG WINDS	LIGHTNINGS	STORMS	DROWNED; POISON	VEHICLE ACCIDENT	TOTAL NO OF INCIDENTS OCCURRED
Abaqulusi	20	50	24	6	5	2	0	107
Edumbe	4	13	6	8	3	1	0	35
uPhongolo	13	28	13	0	1	0	34	89

Nongoma	3	51	18	3	8	0	1	84
Ulundi	6	17	5	2	1	0	3	34
TOTAL	46	159	66	19	18	3	38	349

Disaster Community Awareness

Zululand District Municipality has embarked a Disaster Awareness Campaign Programs. The District Awareness Campaigns were conducted in Schools in collaboration with the Department of Education (Vryheid District), and Traditional Councils within the District. The Communities were informed through the Ward Councillors, Izinduna, Amakhosi, NGOs and also Mayoral Programmes (Road shows). The awareness programmes was conducted successful. Further awareness campaigns are on the pipeline with other Government Departments in the KZN Province.

Fourth eight (48) awareness campaigns were conducted during the period of 1st April 2018 to March 2019.

The Zululand District Municipality in conjunction with Community Liaison Department has got the Volunteer strategy which has been already established per Local Municipality.

Volunteer Strategy

There are trainings which undergoes for the volunteers. The volunteer program aimed to capacitate the community in the process of planning and coordinate it measures aimed to:

- Preventing or reducing the risk of disaster
- Mitigating the severity or consequences of disaster
- Emergency preparedness
- A rapid and effective to disasters and
- Post disaster recovery and rehabilitation

COVID 19 Pandemic in Zululand

The COVID 19 pandemic made a significant impact including in the Zululand District Municipality. The National Disaster Management Regulations were invoked resulting in the National Lockdown regulations. Although the spread of the virus was contained somewhat, however the economy took a tumble especially local businesses. Government was affected as well as operations ground to a halt.

But the virus made a significant impact on the socio conditions of communities in Zululand. The table below demonstrates the different categories of effect of the virus:

Table 21 COVID 19 Impact

CASES	ABAQULUSI	EDUMBE	CEZA	NONGOMA	NKONJENI	PONGOLA	DISTRICT TOTAL
Confirmed	195	159	63	379	1919	253	2968
Recoveries	1935	157	57	369	1902	249	4669
Contacts	5320	290	248	3936	4952	661	15407
Deaths	24	1	1	14	14	3	57

7.4. LOCAL ECONOMIC DEVELOPMENT PERFORMANCE

Projects Implemented for Year Under Review

The district municipality LED office is striving to provide an enabling environment for businesses and economic activities in general to thrive within the district.

In order to achieve the aforementioned, we employ different approaches which include provision of support of economic activities e.g. equipment and inputs, facilitating institutions that could help businesses within the district e.g. NGO's, direct intervention in form of capacity building, and funding in some instances.

Provision Of Support

The Zululand District Municipality has a large portion of the community that are unemployed. In this respect Zululand District Municipality assist the community by giving them starters on various kinds of projects e.g. Poultry project whereby chicks are given to groups which fight against poverty alleviation, farming etc.

The beneficiaries of the District LED Projects are:

- a. Youth
- b. Widows
- c. Orphans
- d. People who are unemployed within Zululand District Municipality
- e. The District is assisting with Capacity Building to the co-operatives
- f. Registration of co-operatives within the District
- g. Assisting co-operatives who are doing Agricultural projects with fence and treated poles to secure their gardens depending on the availability of the budget since the budget is one of the huge challenge from our Section.

There are 4 tractors owned by district to support co-operatives in agriculture. Another 10 additional tractors were purchased to assist all the co-operatives who are willing to do agriculture within our District.

Ngo's Assistance

There is NGO called "**National Movement of Rural Women**" came to the District with a list of co-operatives they going to assist around Nongoma and Ulundi. This in future will be communicate with LED section first to allow oversight by Community Services Portfolio Committee.

The target group are the co-operatives who are more dominated by women from rural areas, at least 80% members should be females and 20% can be males.

Below are all projects funded by **National Movement of Rural Women** 2019/2020 Budget.

Table 22 Projects funded by NMRW

Project Name	Items/material	Municipality and Ward no
Nkosimbeke beads	Structure, Labour, 570 pack Beads, 1 Empisal Sewing machine, 1 Empisal overlock, 1 table, 10 plastic chairs	Nongoma, Lindizwe area, Ward 9
Mpumalanga garden	Irrigation, Seedlings, Water tank, Garden tools, Fence	Nongoma, Manzimakhulu, Ward 16
Udumo Sewing Textile	Embroidery machine, Flat Sewing Machine, Sewing material	Ulundi
Casukile Co-operative	Funded with chicks, feeds and material for finishing the structure	Nongoma

Figure 16 Casukile Poultry Projects



Casukile Poultry Project

Absa Tunnels

Absa funded the Sibuyanotho Co-operative garden which is based at Princess Mandisa HIV and AIDS Centre with 3 Vegetable Tunnels.

This programme assisted many families since the beneficiaries are from different wards around Ulundi and they managed to expand their gardens from 20 meters to 100 meters which is 1 hector. The project is very successful the vegetable, initially used for substance eating for the community and use for enterprise they sell it sell to generate income and increase employment.

Vegetable tunnels has the potential to address social and economic upliftment in an area. The Princess Mandisa was identified as a Centre that meets all the requirement needed by the funder of the project which is ABSA Bank since it is the facility that is managed by the Zululand District Municipality.

They are supplying ULundi Spar with Vegetables once a week and other small businesses from ULundi especially those who are dealing with catering businesses.

Figure 17 Sibuyanotho Co-Operative



Sibuyanotho Co-operative

Zululand District Municipality Ukulima Programme

Ulundi Gardens

Sebenza Uthokoze Co-operative

The above mentioned co-operative is one of the co-operative benefited to this programme, they were assisted with ploughing and seedlings, and the size of the garden is 4 hectors. They are producing Vegetables and supplying Pick n Pay Ulundi. The have managed to install a borehole with the capital they receive by selling their vegetables.

Figure 18 Sebenza Uthokoze Garden



Sebenza Uthokoze Garden

The are 4 Co-operatives under kwaMusi Gardens they are all benefited through Ukulima programme offered by Zululand District Municipality.

Figure 19 KwaMusi Gardens



Kwagwebu Garden (Abaqulusi)

- a. There are 2 projects operating at kwaGwebu Gardens.
- b. ZDM LED provided the assistance of co-operative registration.
- c. They have a challenge of fence, treated poles, gates and seedlings
- d. They have more than 10 hectors.

Hlahlindlela Poultry (Abaqulusi)

There is a structure and the borehole the cooperative need the assistance of renovations to their existing structure.

The co-operative is registered.

Sulikamama- (Abaqulusi)

Is dealing with sewing school uniform, they are supplying more than 15 schools within the District.

- a. LED assisted the co-operative during the registration.
- b. The challenge they have is the Embroidery Machine and the space.

eDumbe Gardens

The following gardens were assisted: Kuzekwalunga Garden, Qedusizi Garden, Vukuzithathe Garden, Zizamele Garden, Zenzele Garden.

The above mentioned gardens produce vegetables their market are the following:

- Edumbe Supermarket
- Edumbe Street vendors
- Local Communities

There were lot of challenges we were experiencing during 2018/2019 financial year especial financial constraints. Some of the co-operatives listed above were expecting the financial support from our District and also assistance of ploughing there was no tractor available since it was broken in 2015 and was send to Anesco, Edumbe for repairs but there was no budget available to pay ANESCO until the end of 30 May 2019.

oPhongolo Gardens

The following gardens were supported: Delangobona Garden, Thubaletu Garden, Debelele Garden, Ubumnandi Bolimo Garden, Siyazondla Garden, Vulinqondo garden

The above mentioned community gardens started to be function from July 2018 with a plan of assisting the co-operatives until June 2019 with financial support and capacity building. The co-operatives is producing vegetables, their market are the following:

- UPhongolo Supermarket
- UPhongolo Local communities
- Street vendor

It was very difficult to co-operatives to take that decision since they were expecting ZDM to assist with ploughing from their side they only budgeted to purchase seedlings. UPhongolo tractor was broken in February 2019 and was taken to uPhongolo Tractors and Spares for repairs; there was no budget available to pay the service provider from 2017/2018.

UPhongolo Poultry Project

The Municipality assisted once off the co-operative with chicks and feeds they managed to operate and grow their business.

Tourism Programmes

Tourism in Zululand still stands as one of the key development legs for this district. Tourism together with agriculture and small business developments were some years ago identified as the key development legs of Zululand not only industrial but very specifically focussing on the local communities and development in the district. This report serves as an update of what has been happening in the last financial year 2018/2019

Umkhosi Womhlanga

The annual Royal Reed Dance Festival / Umkhosi woMhlanga is held in Nongoma, Northern Kwa-Zulu Natal at Enyokeni Royal King's Palace and is attended by thousands of people from all over the world, situated between Nongoma and Ulundi on Route 66. The festival takes its name from the riverbed reeds and the symbolic part. The reeds are carried by more than 25 000 Maidens who have been invited to the King's Palace to take part in the traditional ceremony, which celebrates virginity and their preparation for womanhood.

The 2018 annual Umkhosi Womhlanga took place from Monday 27 August and ended on 03 August. The District Tourism made provision to host over 30 crafters from Zululand to showcase their products in one marquee.



2018 Zulu Umkhosi Womhlanga

This event kicked off from Carnival City in JHB on Saturday 29th September and finished on the 2nd of October 2018. Dirtbikes, Adventure bikes, side-by-side and Quads were all riding for Quadpara Association of South Africa (QASA). Four days of riding through 3 provinces. One of the refreshing stops was in Zululand at Prince Mangosuthu Buthelezi Airport on the 2nd of October. As Zululand we are in negotiations with QASA to make this an annual event that will take at least 2 days in Zululand.

In 2019 the event is planned to take place on 24 September and the task team will be donating 10 wheelchairs to Zululand District Municipality.



Honourable Mayor: TD Buthelezi at the event

Zululand Tourism Educators Seminar

Practical training is an important part of tourism education. Tourism education plays an important role in preparing students to gain professional and practical skills required by the tourism industry. Given that the tourism industry is a labour-intensive sector, it is undeniable that practical training is much as important as theoretical training. The ZDM Tourism educator's seminar took place on 10-11 October 2018. The first day was an educational tour around ZDM Tourism attractions. 100 grade 12 tourism educators were gathered in this workshop.



Educator's Workshop

Zululand has a rich vibrant history of story-telling and culture narration. The 2019 Africa's Travel Indaba presented an opportunity for us to tell the world of Zululand's successes, to change the narrative and stereotype of Zululand into a positive one.

For the first time ever in the history of tourism ZDM hosted all five local municipalities under ZDM tourism stand as sharing exhibitors. This also included tourism trade within the district. Africa's Travel Indaba hosted over 1100 Tourism Products from across the world. The event served as a catalyst that enabled our tourism businesses a platform to showcase and also trade with other businesses.

17 recorded meetings over a period of 3 days were convened with different stakeholders, product owners, buyers, and media.

Indaba Financial Implications

Item	Expenditure	Proposed Budget for 19/20
1. Design	R 100 000	R 200 000
2. Floor Space	R 139 000	R 28 000
3. Name Badges	R 8 000	R 20 000
4. Accommodation	R 42 000	R 80 000
5. ZDM Products	R 100 000	R 150 000
TOTAL:	R 389 000	R 730 000



Indaba 2019

Collaboration between TKZN and Zululand District Municipality on Destination Marketing

Pursuant to the discussion and resolution taken at the PTIC in ensuring effective destination marketing and geographic spread of economic benefits from the tourism industry to all parts of KZN, TKZN has put together a District Marketing Support Programme which is aimed at aligning provincial and district tourism plans and there is proper synergy on key activities.

The proposed rollout plan includes the following elements:

- Allocation of TKZN personnel to give support to Districts' tourism marketing programme.
- Formalizing the collaboration between the districts and TKZN through the signing of a MOU, which commits both parties in the driving of the tourism agenda within the respective districts.
- Developing annual plans that give support to the MOU, outlining key areas of focus and activities. The plan will be tailor made to specific needs of the district.

Tourism Routes

Route development as an institutional arrangement has several benefits which find synergy with the customs and norms of many rural communities where property rights to communal resources are less well-defined. Routes are initiated:

- To diffuse visitors and income for tourism (to a wider range of beneficiaries)
- To bring lesser known attractions and features to the attention of tourists (such as those of remote areas)
- To increase the overall appeal of a destination (wider variety of attractions to cater to different interests)
- To increase length of stay and spending by tourists (increased benefit to up-and downstream linkages such as fuel, food, accommodation, input suppliers etc.)
- To attract new tourists and to attract repeat tourists, and
- To increase the sustainability of the tourism product (increased occupancy rates and use of human resources)

Three formal tourism routes include or pass through Zululand i.e.

- KZN Battlefields Route
- Zululand Birding Route
- Route 66 Zululand Heritage Route

The Zululand Heritage Route66 and the KZN Battlefields Route are both active and operational in Zululand. The BFR has been running for the past 28 years whilst Route66 is on the tourist map for the past 9 years.

Tourism School Groups Awareness

Over the last few years, rural tourism has been increasingly viewed as a panacea for improving the economic benefits of rural communities in Zululand. One of the main focuses in developing rural tourism is to encourage participation of local communities. While many scholars are concerned with a number of roles local communities could take in tourism development, few have reported how local communities themselves perceive and are aware of their role(s) in tourism development.

One of our major roles as a district is to promote tourism and create awareness to our local people. On the last financial year we have projected the numbers of visitors and scholars visiting the airport. The following is a table showing the number of schools that have visited our offices at the airport.



School Groups

District Tourism Forums

Tourism in Zululand District Municipality is one of the functions that unfold both on local and on a district level. According to KZN Tourism Act 1996, the functions of Municipal Tourism are to monitor local tourism operations and establishments for compliance with provincial policies and legislations. Further to that as Zululand Tourism we must promote, market and develop tourism within our district area of jurisdiction and beyond. We have over the last financial year convened 4 Zululand Tourism Forum meetings as follow:

ZDM have an initiative to expand Terms of Reference of the ZDM Tourism Forum, to include heritage as well. This will work well as many tourism stakeholders also have a vested interest in heritage. The role of district is more of a coordinating one and this is the primary function of the forum

Tourism Graduate Development Programme

In partnership with KZN Economic Development, Tourism and Environmental Affairs (EDTEA), the district is participating and playing a major role in this programme as a host employer. The programme is aimed at providing workplace experience to graduates and is offered in collaboration with different municipalities and organisations.

Shortlisted graduates undergo an interview and if successful, they enter into a performance agreement covering the duration of the programme. The agreement is between the candidates, the department and the host municipality / organization. Graduates and Students who have not been previously employed under the same programme and who have been unemployed for a period of one year or more are invited to apply. Graduates and students are encouraged to only apply to municipalities within their residential areas. ZDM Tourism has over the last financial year hosted two interns.

Arts & Craft Programmes

Indonsa Arts & Crafts Centre

This is one of the best performing community art centres based in Ulundi, KwaZulu-Natal. It is co-funded by the Zululand District Municipality and the provincial Department of Arts and Culture. Courses offered run for a period of six months, with free admission. The centre started fully functioning in 2002, focusing mainly on skills training in Visual Arts, Fashion Design and Music & Instruments. There is also a fully-fledged recording studio that assists up and coming artists.

Music and Instruments

Under-qualified music engineers, students in the music class gain knowledge and acquire necessary skills in playing a bass guitar, drums and a keyboard. We admit a maximum of 20 trainees per annum.



Fashion Design

Fashion Design students thrive under our most trusted fashion designer(s) who, with passion and determination, dedicates her knowledge, time and efforts to each student in the class. The District equips them with starter packs in the form of sewing machines and fine art kits on graduation day to start their own businesses. 40 trainees are admitted per annum.



Fashion Design Catwalk

Visual Arts

The visual arts programme consists of basic drawing (still life, portraits etc.), painting, textile design and silkscreen printing. This project is facilitated by a number of brilliant graphic designers who work tirelessly to engage the interests of arts and creativity in society and the surrounding communities. 30 trainees are admitted per annum.



Umbele Wethu Cultural Festival

Through the centre, an annual Arts Festival/Competition called 'Umbele Wethu' is held in all the five municipalities under the Zululand District Municipality, and a big District final event in which the youth competes in all genres of music, dance, drama and visual arts for a prize money and a chance to record music for free at Indonsa recording studio.



7.5. SOCIAL DEVELOPMENT (COMMUNITY & SOCIAL SERVICES, CHILD CARE; AGED CARE; SOCIAL PROGRAMMES), HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

DATE	MUNICIPALITY	VENUE	Group Participation	INDIVIDUALS
24/06/2019	Nongoma	Multipurpose Hall	178	2005
25/06/2019	oPhongolo	Belgrade Community hall	148	1867
26/06/2019	eDumbe	Town Hall	133	1156
27/06/2019	AbaQulusi	Bhekuzulu Hall	112	966
28/06/2019	Ulundi	Multipurpose Hall	97	835
			668	6829
05-06/07/2019 District Final	Ulundi	EMandleni Hall	87	1500

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 for 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.

Quality Of Life Programmes

A Quality of Life Forum has been formed with representation from local municipal forums such as Gender, Disability, Senior Citizens and Children. The Quality of Life also benefits in the similar manner as mentioned above.

Gender

The importance of women cannot be over emphasized, hence the National Women's day celebration and Women's summit are held annually. The summit focuses exclusively on women empowerment with commissions deliberating on the role of the church the society in restoring the family cycle; the role of women in the exchange society; Women Empowerment; Women in Business; and Opportunities available for women. Resolutions taken at the summit will be filtered down to all women with the Zululand District Municipality's area of jurisdiction.

Disability

They have Disability forum which is formed by two members from each local Municipality which will report back to their respective local Municipalities on what is discussed from the District level and the Provincial level.

Quality of life programmes

A Quality of Life Forum has been formed with representation from local municipal forums such as Gender, Disability, Senior Citizens and Children. The Quality of Life also benefits in the similar manner as mentioned above.

Youth Development

ZDM established a Zululand Youth Council which is a youth body that assists the municipality in designing and implementing of relevant youth programmes. A Youth Affairs Officer is 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 for young citizens to share information on 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. This becomes a forum for interaction among the youth, 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 operating community art centres in KwaZulu-Natal. It is funded by the Zululand District Municipality in conjunction with the provincial Department of Arts and Culture. The Centres has grown from strength to strength assisting the young people to acquire business skills in fashion designing, music (instruments) and visual arts. Courses offered are for duration of six months and admission is free. Skills courses are specifically targeting young people who 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.

Through the Centre, an annual Art Festival/Competition called 'Umbele Wethu' is held in all the five municipalities under the Zululand District Municipality and a big District final event in which the youth compete in all genres of music, dance, drama and visual arts.



Participants win money prizes in order to encourage them to advance their talents into careers. The music winners are assisted with free recording of 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

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

ZDM has forged partnership with NGOs. The NGOs work 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

There is 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.

The centre has a vegetable garden to assist local needy households especially the child headed. We have 14 people working in that 2 hectare garden.

Loveliflife 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

ZDM HIV and AIDS Unit successfully established functional Ward Aids Committees (WAC); all 89 ZDM wards have their WAC established.

All Local Municipalities have functional Local AIDS Councils who report to the District Aids Council on a quarterly basis.

Municipal Health Services

Health Inspection; Food and Abattoir Licensing And Inspection; Etc.

Municipal Health function is preventative in nature and seeks to protect humans from contracting diseases from the environment they live in.

The Municipal Health Services Section consists of a staff component of 12 Environmental Health Practitioners, 3 for Ulundi office, 2 in Nongoma office, 2 Pongola Office, 2 eDumbe office and 3 for Vryheid. There are also 3 Environmental Health Assistants. The primary function of this section is to monitor and ensure compliance with legislation on all environmental issues, adhering to following scope of practice as regulated under the Health Profession Act, 1974 (ACT NO. 56 of 1974) :

- Food Control;
- Water quality monitoring;
- Waste Management;
- Health Surveillance of Premises;

- Vector Control;
- Disposal of the Dead;
- Environmental Pollution Control;
- Surveillance and Prevention of Communicable Diseases (excluding immunisation)

Water Quality and Monitoring

Chemical Safety

Water samples were collected quarterly and sent to National Health Laboratory Services.

A total of 60 water samples were taken for bacteriological analysis during the financial year, 6 samples were unsatisfactory and the relevant stakeholders were informed through written notices.

Food Control

Food Samples:

A total of 65 Food Samples were also taken during the financial year, all samples taken were satisfactory.

Below demonstrates attendance at the food inspection workshops:

HIV/AIDS Programmes

Princess Mandisi Health Care Centre

Princess Mandisi Health Care Centre is a brainchild of the Zululand District 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, ZDM intends to continually reduce the high HIV infection rate in Zululand.

The following services are offered:

- a. Voluntary counselling and Testing (VCT)
- b. Community Based Counselling and Testing (CBCT)
- c. Health Education to youth in schools and out of school
- d. On-going counselling for the infected and affected
- e. Community HIV and AIDS awareness
- f. Food Security Programmes

ZDM has forged partnership with NGOs. The NGOs work 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 Groups; 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.

Food Security; the centre has a wonderful vegetable garden to assist local needy households especially the child headed families. Recently, the Centre have established a partnership with ABSA Bank Limited on promotion of Food Gardening. We have 03 large vegetable Tunnels through this partnership of ZDM and ABSA.

Loveline Programme

The partnership between ZDM and the New Love Life Trust remains. This partnership was lobbied by Zululand District Municipality with an intention of encouraging positive and healthy behavior in young people of Zululand.

Through this partnership, we have contracted 10 youth working as groundbreakers implementing different health strategies in reaching young people. They are working with some schools and health facilities in the different 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

ZDM HIV and AIDS Unit successfully established functional Ward AIDS Committees (WAC); all 90 wards have their WAC established. We have so far capacitated 05 wards per local municipality as part of improving proper reporting at a ward AIDS Committee level. The training was supported by Health Systems Trust

All Local Municipalities have functional Local AIDS Councils who report to the District Aids Council on a quarterly basis.

7.6. DEMOCRACY AND GOVERNANCE PERFORMANCE

Compliance, Clean and Sound Administration

General Assessment Summary on Compliance

The Constitution

In terms of section 152 of the Constitution of The Republic of South Africa, a municipality must strive within its financial and administrative capacity to achieve the objects as set for local government.

The objects of local government are set to provide democratic and accountable government for local communities, ensure the provision of services to communities in a sustainable manner, promote social and economic development, promote a safe and healthy environment, and encourage the involvement of communities and community organisations in the matters of local government.

For the municipality to achieve these objects its performance is measured against compliance with various applicable legislation. The municipality is required in all material respect to comply with the following key legislation;

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

The municipality is required to comply with vast sections of MFMA, as this is one of the key legislation applicable to municipalities. Nevertheless the municipality complied with other pieces of this Act, the audit results revealed that there are some areas of non-compliance noted within below subject matters;

Annual financial statements

The annual financial statements were corrected for all misstatement identified by external audit review. Internal controls have been strengthened to eliminate misstatements in future.

Procurement and contract management

Municipality has not complied with all material respect with Municipal Supply Chain Management (SCM) Regulations thus resulted to irregular expenditure. The municipality is subjecting all the identified irregular expenditures to processes of section 32 (MFMA). Through implementation of Audit Action Plan management has put in effort to improve internal control deficiencies.

Expenditure management

The municipality had material findings of non-compliance with sections 62 and 65 of MFMA respectively. The Audit Action Plan has been developed and being implemented to address all the above areas of non-compliance.

Division of Revenue Act (DoRA)

During the 2019-20 financial year there were no findings of non-compliance for DoRA were noted. The municipality has complied with DoRA in all material respect.

Municipal Structures Act, No. 117 of 1998 and its regulations and instructions.

There were no material findings of non-compliance with Municipal Structure Act as it is imposed to the municipality.

Municipal Systems Act, No. 32 of 2000 and its regulations and instructions.

As it is required in terms of sections 38 and 67 respectively, for the reporting period the municipality had not taken adequate appropriate steps to develop and implement performance management system for employees other than section 57 managers. Performance management system was implemented for section 57 managers only.

The municipality has taken firm commitment to cascade performance management system to managers below section 57 managers where they will be required to sign Performance Management Plans. This non-compliance has attracted urgent attention for management since it is reported for the second time in two consecutive audit cycles.

Preferential Procurement Policy Framework, Act No. 5 of 2000 and its regulations.

Couple instances on no-compliance with Preferential Procurement Policy Framework Act were noted. These findings had an impact to the auditor's report thus attracting urgent management attention. Firm commitment have been put in place to address issues of non-compliance.

Construction Industry Development Board Act, No. 38 of 2000 and its regulations.

The municipality ability to achieve its objects was also measure in line with compliance with this Act and none was found as deviation or non-compliance with this Act.

Prevention and Combating of Corruption Activities Act, No. 12 of 2004.

Compliance with this Act was reviewed by external audit and no findings were noted as a result the municipality has complied with this Act in all material respect.

Integrated Development Planning

The Integrated Development Plan (IDP) Review Process is a vehicle through which Municipalities prepare strategic development plans called Integrated Development Plans for a five-year period. Because service delivery is progressive in nature, the IDP must be reviewed annually to keep up with the evolving nature of communities.

The IDP is a legislative requirement, has a legal status and therefore supersedes all other plans that guide development at local government level.

The timeframes below were followed in preparing the 2020/21 IDP.

Figure 20 IDP Process Plan Timetable

Phase/Activity	Proposed Completion Timeframe
Situational Analysis	30 Sept 2019
Development Strategies	30 Sept 2019
Projects&Integration	01 Dec 2019
Draft Approval	31 Mar 2020
Final Approval	29 May 2020

Consultation with the Local Municipalities was affected by the national lockdown due to COVID 19. Virtual meetings did however take place although attendance was a concern.

The final IDP was adopted by Council as targeted.

Consultation with the community took place. *(See Public Accountability and Participation).*

7.7. INSTITUTIONAL TRANSFORMATION PERFORMANCE

(See Employment Equity and Skills Development)

7.8. SPATIAL AND ENVIRONMENTAL MANAGEMENT PERFORMANCE

Development Planning Shared Services

The principle of the Development Planning Shared Services is to render statutory and strategic town and regional planning support to local municipalities in the Zululand District Municipal area. The unit provides strategic, development administration, information management, building control and performance management support to local municipalities.

The contracts of all the DPSS employees expired 30 June 2018. The services of certain critical employees were extended on a month to month basis.

A Shared Services Business Plan was signed by all the participating municipalities with the exception of Abaqulusi.

Grant funding to the value of R550, 000.00 was spent fully in establishing systems and processes of the Shared Services.

The Acting Chief Planner has been instrumental in assisting the local municipalities with statutory planning matters affecting the daily functions of the local municipalities in Zululand.

Joint Municipal Planning Tribunal

Four municipalities in Zululand elected to form a joint municipal planning tribunal (JMPT). These include Ulundi, Nongoma, oPhongolo, eDumbe. An agreement was signed by all participating municipalities and gazetted. A business plan will now be prepared and submitted to the MEC. A panel of professionals to serve on the joint tribunal according to SPLUMA will also be co-ordinated by the District.

The JMPT sat 04 times during the 2019/20 financial year.

7.9. PERFORMANCE AGAINST GOVERNMENT LED PROGRAMMES

Free Basic Services and Indigent Support

The definition of a poor household relates to income poverty, or the lack of sufficient income to satisfy basic and essential needs such as food, clothing, energy and shelter. The **ZDM Indigent Policy** is in line with this definition which also takes into consideration the total monthly household income.

Like many other Districts, the majority of the population in the Zululand District Municipality is indigent (approximately 54%) and that means a small revenue base. Therefore a significant portion of the budget goes towards infrastructure development with very little to no revenue generated. This cannot be sustained if the municipality is to ensure a consistent high quality basic level of service. The municipality must seek ways of improving increasing revenue as well as enhancement.

National Government Policy derives its standard for free basic water supply from that of the World Health Organisation (25l/p/p/day) which is regarded as sufficient to promote healthy living. The ZDM has an average household rate of 8 persons, meaning that the standard is equal to 6 kilolitres per household per month. All households in ZDM receive the 6 kilolitres free water.

Expanded Public Works Programme (EPWP)

The EPWP incentive grant is a Conditional Grant Programme that is intended to increase job creation in municipalities by providing a financial performance reward. It is intended to create job opportunities and alleviate poverty in the poor communities. It is considered a conditional grant in the sense that it can only be used for the intended and approved projects only, within approved time frame, specific reporting requirements etc.

In terms of challenges the following should be noted:

- **Understanding of the EPWP programme for projects stakeholders.** ZDM feels that there is still a need to train service providers who are directly working on the projects these includes Project steering committees, Contractors, Engineering Consultants and ISD Consultants. The initiative will ensure compliance in terms of documentation, proper use of EPWP templates, understanding of Ministerial Determination, appropriate system for recruitment of participants, timely communication and reporting, paper trail and the full understating of EPWP programme.
- **Delays in the implementation of infrastructure projects.** In these projects, a large number of participants are recruited and their details captured on the EPWP system, however during the commencements of site works only few participants are allowed to start work and thus dropping the number of employment opportunities to be reported for current financial ending in March.
- The sanitation projects, which are labour intensive, there was a delay in implementation due to a dispute regarding the award for the supplier.

- Alignment of tender documents in terms of more labour intensity in all project to ensure that more participants are recruited to provide maximum work opportunities from projects.

8. CHAPTER 5 – OVERVIEW OF FINANCIAL PERFORMANCE

8.1. STATEMENT OF FINANCIAL PERFORMANCE

Income

Zululand District Municipality's (ZDM) operating revenues grew from R920 million in 2018/2019 to R1 021 359 420 in 2019/20. The increase was mainly resulting from increase in our revenue from exchange transaction (service charges).

Revenue from service charges (water and sewer services) has increased by from R33.5 million in 2019 to R 37.6 million in 2020.

Revenue from investments has decreased from R7.8 million in 2019 to R4.76 million in 2020.

Own over total operating revenue indicates that the Municipality is more dependent on grant funding from National and Provincial Government.

The table below illustrates operating revenue over a period of three (3) years;

Table 23 Operating Revenue Performance

Financial Year	2019-20	2018-19	2017-18
Amount	R1 021 359 420	R920 131 740	R 901 291 074

Table 24 Schedule off Conditional Grants Received

GRANT	2017/2018	2018/2019	2019/20
EQUITABLE SHARE	382 571 000	424 766 000	464 560 000
FMG	1 250 000	1 000 000	1 465 000
EPWP	5 760 000	5 908 000	8 818 000
SHARED SERVICES	0	300 000	550 000
KZN INDONSA GRANT CULTURE CENTER	1 911 000	1 911 000	1 911 000
MIG	229 725 000	220 762 000	225 574 000
RBIG	107 746 000	131 498 000	163 774 000
WSIG	110 000 000	115 000 000	100 000 000
RRAMS	2 359 000	2 364 000	2 504 000
TOTAL	841 322 000	904 209 000	887 342 000

Cash Balance

The cash and cash equivalents of the municipality as at 30 June 2020 amounts to R12 290 031 and all conditional grants monies were spent. This represents a increase as compared to the previous year's (30 June 2019) cash and cash equivalent balance of R12 478 331.

Cash Coverage

The municipality does not have long-term borrowings/loan as a result the Council is not expected to service any interest costs in the future. Cash and cash equivalent amount as at the year-end represents cash available i.e. petty cash and cash at the bank.

Expenditure

The table below illustrates operating expenditure over a period of three (3) years;

Table 25 Operating Expenditure Performance

Financial Year	2019-20	2018-19	2017-18
Amount	R 699 151 673	R 635 493 191	R 650 793 855

The increase is attributable to a combination of the salary increases year on year and the filling of vacancies during the current financial year. This type of expenditure contributes 28.42% to the current total expenditure. Employees and councillors remuneration costs has increased by 10.88% during the current financial year whilst the increase was 28.42% in 2019.

Contracted services costs.

Included in contracted services costs are repairs and maintenance of property, plant and equipment items. This expenditure costs contribute 10.92% to the current total expenditure. The expenditure costs attributed to repairs and maintenance was R90 million (2020) and R75 million (2019-restated) respectively.

Spending of operational grants

The Municipality received a total of R486 Million operational grant funding, an increase from R434 Million received in the previous financial year.

Spending of capital grants

The capital budget is committed largely on new infrastructure projects and the renewal of existing capital assets. The Municipality received a total of R492 Million capital grant funding, an increase from R442 Million received in the previous financial year.

Of the total conditional grants received, R3,8 Million was not spent.

Fruitless and wasteful expenditure

The municipality had incurred fruitless and wasteful expenditure over the years. This type of expenditure is resultant from penalties and interest charged accounts due to late payment of a particular invoice or statements. Major portion of this expenditure is caused by an additional cost paid due to delays on project completion.

This table illustrates fruitless and wasteful expenditure incurred over the period of three years:

Table 26 Fruitless & Wasteful Expenditure Performance

Financial Year	2019-20	2018-19	2017-18
Amount	R 1 407 916	R 1 623 649	R 420 411

Liquidity Management

The municipality has made self-assessment on liquidity management. The municipality uses current ratio and cash/cost coverage ratio to assess its ability to settle current obligations and meet its monthly fixed operating commitments.

Current Ratio

The municipality used current ratio to assess its ability to pay its short term liabilities within its short-term assets. The determination of this ratio takes into account the possibility that the council can cede its receivables and inventories to settle its short-term liabilities. The norm of this ratio ranges from 1.5 to 2: 1.

The current ratio (CA/CL) is 0 to 3:1. However included in this calculation is retention of R 49 454 304 which is dependent on the future grant receipts and R 211 755 994 creditors at year-end. This retention does not have to be cash backed.

The table below depicts current ratios over the period of three years (restated):

Table 27 Current Ratio Performance

Financial Year	2019-20	2018-19	2017-18
Current ratio	0.3:1	0.27:1	0.33:1

The above assessment indicates current ratios are below the norm for the period over three years. Our current liabilities exceed current assets. Furthermore, the trend is depleting over the period as from 2018 to 2020. This suggests that the municipality would be unable to pay current and short-term obligations should they become due. The municipality is facing a serious financial challenge of liquidity problem.

Debtors Impairment Percentage

The municipality had maintained debtor's impairment provision of 85% for both financial years 2019 and 2018 respectively. The gross debtor's balances were R113 million (2019) and R95 million (2018).

Current Debtors Collection Rate

The municipality had a debt collection period of 182 days in 2019 as compared to 174 (restated) days in 2017. The result of this assessment is concerning. This is an indication that revenue collection requires urgent attention.

Debt impairment for the period under review is R15 905 124. This is an increase from the debt impairment of R14 807 435 from the previous financial year.

Asset Management

The assets management system was effectively implemented during the year. Council approved the Asset Management Policy for implementation.

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.

Supply Chain Management

The Council had developed and approved its Supply Chain Management (SCM) Policy that is in line with Municipal Supply Chain Management (SCM) Regulations as issued by national Treasury. In an endeavour to ensure compliance and standardisation of the SCM Policy all amendments are submitted to Council for approval. The SCM Unit is centralised and reporting to the office of the Chief Financial Officer as required by regulation 7(1) of Municipal Supply Chain Management Regulations. Section 115 of the MFMA that deals with segregation of duties is complied.

Cashflow Management and Investments

The cash flow position has improved as compared to the previous year. The municipality had a positive cash flow balances for both 2020 and 2019 financial years. Cash flow is being monitored on a regular basis to ensure budget savings. Budget and Finance Committee comprising all General Managers is in place and meeting every week to monitor the actual expenditure vs expenditure projections.

Financial Recovery Plan

During the financial year under review, it was evident that the Zululand district municipality was facing significant fiscal and service delivery difficulties, which undermined the effective and efficient performance of its function and mandate.

Cash flow reports were presented to Council that were showing the situation where the municipality may fail to finish that financial year with a positive position. Management engaged the cash flow position and agreed on a financial recovery plan.

The principal strategic objective of this financial recovery plan is to identify key priority areas as an immediate intervention and to set out specific intervention projects which will address the financial problems identified for a new financial year. The plan would and continues to set parameters which bind the municipality in the preparation of future budgets until the long-term financial plan is sustainable.

Several historic financial challenges were identified including lack of restraint in cash flow management, limited oversight, limited application of budgeting controls, unsustainable adjustment budget, lack of policy review and implementation, appointments without following established processes, ailed debt collection and credit control, litigations, residential and government consumers owing large debts to the municipality, small rates base, high dependency on outsourcing, impractical tariff structure and others.

A report on the review of the financial plan will be tabled in various structures and will also feature in the Annual Report for the next financial year.

Municipal Standard Chart Of Accounts (Mscoa)

The overall objective of the project was to ensure that Zululand District Municipality complies with the National Treasury regulation through implementing a Municipal Standard Chart of Accounts (mSCOA) which aims at achieving an acceptable level of uniformity and quality on financial and non-financial data, incorporating all transaction types, appropriation of funds, spending on service delivery, capital and operating spending, policy outcome and legislative reporting.

The financial system of the municipality is Solar which is mSCOA compliant.

Assessment By The Accounting Officer On Arrears On Municipal Taxes And Service Charges

Total debtors balance as at 30 June 2020 are made up as follows:

Table 28 Assessment by the Accounting Officer on Arrears on Municipal Taxes and Service Charges

Description	Gross debtors	Minus provision for impairment	Net debtors
Current receivables from exchange transactions.	R107 419 108	R95 664 679	R22 894 302
Current receivables from non-exchange transactions.	R 5 761 332	R1 611 504	R1 611 504
Non-Current receivables from exchange transactions.	R16 669 290	R16 669 290	R16 669 290
Non-current receivables from non-exchange transactions.	R 1 602 261	R 1 602 261	R 1 602 261
Current receivables from exchange transactions - VAT Receivables.	R 12 438 380	R 12 438 380	R 12 438 380
Total	R151 330 054	(R95 664 679)	R55 665 375

The total net debtors amounted to R107 419 108 as at 30 June 2020 increasing as compared to net debtors' amount of R95 664 679 as at 30 June 2019.

The increase in debtors balance before provision, of approximately R11.8 million over the reporting period is attributable to the following factors:

- Eskom increased deposit paid on all active accounts over the reporting period based on their assessment of risk to the account. This results in an increase in deposit paid to Eskom.
- Change in consumers' behaviour towards payment for water services. The negative behaviour was caused by National Disaster Management Lockdown Regulations by the municipality over the period of time.

- The current economic recession climate.

The increase in the level of debt did not negatively impact upon service delivery. However, the Council is concerned about sufficient cash reserves in order to meet financial obligations as this was highlighted during assessment of cost coverage ratio. Council will strive for efficient debt collection and credit control systems and procedures to improve current revenue collection rate that is concerning, through revenue enhancement strategies and establishment of indigent register.

Long Term Contracts and Public Private Partnerships

There were no public private partnerships during 2019-20 financial year.

The municipality has signed multi-year contracts with various service providers for construction of infrastructure works including other related management services.

The Schedule of Long Term Contracts is attached as an Annexure.

Revenue Collection Performance by Vote And By Source

Chapter 2 section 4C(ii) of the Municipal Systems Act allows a municipality to impose surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties.

As a result the municipality collects revenue for provision of water and sanitation services to its consumers as per revenue performance is as follows:

Table 29 Revenue Collection Performance by Vote

Vote Description	Revenue Collection Performance by Vote					R'000
	2018-2019	Current year:2019-2020			Year variance: 2019-2020	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Vote 1 - COUNCIL	-	-	-		-	-
Vote 2 - CORPORATE SERVICES	-	-	-		-	-
Vote 3 - FINANCE	395 395	534 926	538 484	447 257	88 669	92 227
Vote 4 - COMMUNITY DEVELOPMENT	1 911	1911	1 911	1 911	-	-
Vote 5 - PLANNING & WSA	3 606	2 664	2 664	3 217	0.3	0.3
Vote 6 - TECHNICAL SERVICES	473 231	467 260	467 260	445 996	21 264	21 264
Vote 7 - WATER PURIFICATION	-	-	-		-	-
Vote 8 - WATER DISTRIBUTION	18 558	16 498	34 298	23 073	7	11
Vote 9 - WASTE WATER	8 590	8 267	10 266	10 439	2	0.1
Total Revenue by Vote	901 291	1 032 297	1 055 655	931 896	100 401	123 759

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 30 Revenue Collection Performance by Vote

Description	Year -1				Year 0 Variance	R'000
	Actual	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget

Service Charges - water revenue	18 558	16 498	34 298	23 073	28%	49%
Service Charges - sanitation revenue	8 590	8 208	10 267	10 439	-21%	-2%
Rentals of facilities and equipment	145	119	176	155	-23%	R14%
Interest earned - external investments	9 472	6 996	9 996	7 803	-10%	-10%
Interest earned - outstanding debtors	95	89		41	117%	0
Fines	9	71 -	160 -	12	492%	1223%
Transfers recognised - operational	392 439	434 585	434 585	434 438	3%	3%
Other revenue	1 853	96 048	96 548	13 483	-	-
Total Revenue (excluding capital transfers and contributions)	431 161	562 673	586 031	489 444	18.00%	23%

Table 31 Debtors Age Analysis

Description	Budget Year 2019/20								
R thousands	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Year	Over 1Yr	Total
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	4 947.00	1 548.00	2 385.00	2 173.00	12 817.00	60 206.00			84 077.00
Receivables from Exchange Transactions - Waste Water Management	1 540.00	664.00	714.00	590.00	38 380.00	21 656.00			28 996.00
Interest on Arrear Debtor Accounts									
Other	3.00			0.30	50.00	138.00			192.00
Total By Income Source									113 265.00
2018/19 - totals only									113 265.00
Debtors Age Analysis By Customer Group									
Organs of State	1 955.00	752.00	1 209.00	664.00	1 543.00	1 681.00			7 805.00
Commercial	526.00	157.00	175.00	108.00	1 274.00	1 854.00			4 096.00
Households	4 009.00	1 303.00	1 715.00	1 991.00	13 879.00	78 463.00			10 136.00
Other									
Total By Customer Group									113 265.00

9. CHAPTER 6 – APPENDICES

A. AUDITED ANNUAL FINANCIAL STATEMENTS

The attached 2019/2020 audited annual financial statements will be as per the *Departmental Financial Reporting Framework* as issued by National Treasury.



**Zululand District Municipality
Annual Financial Statements
for the year ended 30 June 2020**

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities	Water provision as per Water services Act and Schedule B of Municipal Structures Act
Mayoral committee	
Mayor	Cllr Buthelezi TD
Speaker	Cllr Mncwango BJ
Deputy Mayor	Cllr Kunene MM
Member of the Executive Committee	Cllr Nkwanyana SE
Member of the Executive Committee	Cllr Nkosi IS
Member of the Executive Committee	Cllr Mhlungu MM (Replaced Cllr Nkosi SR resigned in April 2019)
Member of the Executive Committee	Cllr Qwabe SE
Other Councillors	
Member	Cllr Mncwango AM
Member	Cllr Buthelezi SN
Member	Cllr Buthelezi Z
Member	Cllr Khumalo ME
Member	Cllr Mashabane SP
Member	Cllr Mavuso NP
Member	Cllr Mazibuko MA
Member	Crrl Mbatha SM
Member	Cllr Ngema JB (replaced Cllr Mhlungu MM in May 2019)
Member	Cllr Mkhize TK
Member	Cllr Mkhwanazi SB
Member	Cllr Mncwango SA
Member	Cllr Mthethwa JB
Member	Cllr Ndlela NP
Member	Cllr Ndlovu TD
Member	Cllr Nsele TJ
Member	Cllr Nxumalo NE
Member	Cllr Shabalala B
Member	Cllr Nyawo D
Member	Cllr Sikhakhane MZ
Member	Cllr Sithole ZN
Member	Cllr Siyaya SS
Member	Cllr Siyaya Z
Member	Cllr Tembe NH
Member	Cllr Victor M
Member	Cllr Ximba SP
Member	Cllr Zulu RM
Member	Cllr Zulu MMM
Member	Cllr Zungu JZ
Grading of local authority	Grade 4, Category 3 in terms of the Upper limit of Office bearers
Jurisdiction	DC 26 as per the Demarcation Board
Senior Management	Chief Financial Officer - Mr RN Hlongwa HOD: COporate Services - Mr PM Manqele HOD: Community Services - Mr SP Mosia HOD: Planning - Mr BP Mnguni HOD: Technical Services - Mr J Jordan (Acting)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Accounting Officer	MR S P Mosia
Registered office	B-400 GAGANE STREET ULUNDI 3838
Business address	B-400 GAGANE STREET ULUNDI SOUTH AFRICA 3838
Postal address	PRIVATE BAG X76 ULUNDI 3838
Bankers	ABSA Bank Limited
Auditors	Auditor-General South Africa
Attorneys	Stowel & Co. Inc
Telephone:	035 874 5500
Fax number:	035 874 5589 / 91
Email address:	mm@zululand.org.za

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

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Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IFRS	International Financial Reporting Standards
CIGFARO	Chartered Institute of Government Finance, Auditing and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
ASB	Accounting Standard Board

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The management has concluded that the financial statements present fairly the municipality's financial position, financial performance and the cash flows.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 74 in terms of Section 126(1) of the Municipal Finance Management Act and which I signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 29 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 Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

MR S P Mosia
Acting Accounting Officer

31 October 2020

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	12 290 031	12 478 331
Trade Receivables from Exchange Transactions	4	22 894 302	17 601 411
Other receivables from non-exchange transactions	5	1 862 804	2 415 980
Receivables from non-exchange transactions	6	1 611 504	5 761 332
Other receivables from non-exchange transaction	7	1 602 261	1 152 606
VAT receivable	8	12 438 380	14 089 565
Inventories	9	4 500 738	2 133 781
		57 200 020	55 633 006
Non-Current Assets			
Property, plant and equipment	10	3 936 561 571	3 595 002 450
Heritage assets	11	1 212 635	1 212 635
Intangible assets	12	14 790	34 244
Other receivables from non-exchange transactions	5	14 806 486	14 644 481
		3 952 595 482	3 610 893 810
Total Assets		4 009 795 502	3 666 526 816
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	207 884 434	206 404 939
Consumer deposits	14	3 612 083	3 617 293
Taxes and transfers payable (non-exchange)	15	81 137	81 872
Employee benefit obligation (Post retirement-Medical aid)	19	157 094	369 000
Unspent conditional grants and receipts	16	3 800 000	-
Employee benefit Obligation (Long service award)	19	861 739	1 125 000
		216 396 487	211 598 104
Non-Current Liabilities			
Payables from exchange transaction	18	31 349 600	34 512 708
Employee benefit obligation (Post retirement-Medical aid)	19	35 926 413	25 981 000
Employee benefit Obligation (Long service award)	19	10 895 615	9 749 000
		78 171 628	70 242 708
Total Liabilities		294 568 115	281 840 812
Net Assets		3 715 227 387	3 384 686 004
Accumulated surplus	20	3 715 227 377	3 384 685 994

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	37 633 180	33 512 747
Rental of facilities and equipment	22	159 359	155 504
Other income	23	1 124 284	1 718 201
Investment revenue	24	4 759 511	7 802 779
Total revenue from exchange transactions		43 676 334	43 189 231
Revenue from non-exchange transactions			
Interest, Dividends and Rent on Land	25	27 212	40 391
Transfer revenue			
Government grants & subsidies	26	977 652 000	876 889 951
Fines and penalties	27	3 874	12 167
Total revenue from non-exchange transactions		977 683 086	876 942 509
Total revenue		1 021 359 420	920 131 740
Expenditure			
Employee related costs	28	(208 933 659)	(196 964 559)
Remuneration of councillors	29	(8 371 666)	(8 088 737)
Employee benefits	19	(10 616 861)	(4 712 000)
Depreciation and amortisation	30	(76 146 250)	(63 734 104)
Lease rentals on operating lease	31	(223 509)	(441 156)
Debt impairment	32	(15 905 124)	(14 807 435)
Collection costs	33	96 034	(1 018 527)
Bulk purchases	34	(17 076 496)	(32 058 798)
Contracted services	35	(241 488 146)	(206 097 718)
Transfers and subsidies	36	(6 939 481)	(2 990 682)
Inventory consumed	37	(14 684 708)	(10 698 839)
General Expenses	38	(98 861 807)	(93 880 635)
Total expenditure		(699 151 673)	(635 493 190)
Loss on donated assets		(37 388)	-
Impairment loss		(1 679 931)	-
Inventories (losses/write-downs)/ reversal of write downs		1 138 323	-
Prior year adjustment on fully depreciated assets		552 938	-
Gain from non-exchange transactions		8 359 695	11 764 579
		8 333 637	11 764 579
Surplus for the year		330 541 384	296 403 129

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2018	3 088 282 865	3 088 282 865
Changes in net assets	296 403 129	296 403 129
Surplus for the year	296 403 129	296 403 129
Total changes	3 384 685 993	3 384 685 993
Restated* Balance at 01 July 2019		
Changes in net assets	330 541 384	330 541 384
Surplus for the year	330 541 384	330 541 384
Total changes	3 715 227 377	3 715 227 377
Balance at 30 June 2020		
Note(s)		

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

	Note(s)	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		20 275 329	20 099 525
Grants		981 452 000	876 889 951
Rental income		157 003	155 504
Other income		1 125 345	1 718 201
Interest on services charges		27 212	40 391
Interest income		4 759 511	7 802 779
Fines and penalties		3 874	12 167
		<u>1 007 800 274</u>	<u>906 718 518</u>
Payments			
Employee costs		(216 353 672)	(205 053 296)
Suppliers		(381 144 290)	(329 115 062)
		<u>(597 497 962)</u>	<u>(534 168 358)</u>
Net cash flows from operating activities	40	<u>410 302 312</u>	<u>372 550 160</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(410 477 199)	(380 942 122)
Purchase of other intangible assets	12	(13 413)	-
Net cash flows from investing activities		<u>(410 490 612)</u>	<u>(380 942 122)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(188 300)</u>	<u>(723 116)</u>
Cash and cash equivalents at the beginning of the year		12 478 331	13 201 448
Cash and cash equivalents at the end of the year	3	<u>12 290 031</u>	<u>12 478 332</u>

* See Note 53

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	54 763 361	-	54 763 361	37 633 180	(17 130 181)
Rental of facilities and equipment	180 000	-	180 000	159 359	(20 641)
Other income	1 350 830	1 000 000	2 350 830	1 124 284	(1 226 546)
Interest received - investment	10 000 000	(1 000 000)	9 000 000	4 759 511	(4 240 489)
Total revenue from exchange transactions	66 294 191	-	66 294 191	43 676 334	(22 617 857)

Revenue from non-exchange transactions

Taxation revenue

Interest, Dividends and Rent on Land	-	-	-	27 212	27 212

Transfer revenue

Government grants & subsidies	979 656 000	8 946 000	988 602 000	977 652 000	(10 950 000)
Fines, Penalties and Forfeits	90 000	-	90 000	3 874	(86 126)
Total revenue from non-exchange transactions	979 746 000	8 946 000	988 692 000	977 683 086	(11 008 914)

Total revenue

1 046 040 191	8 946 000	1 054 986 191	1 021 359 420	(33 626 771)

Expenditure

Personnel	(200 218 483)	-	(200 218 483)	(208 933 659)	(8 715 176)
Remuneration of councillors	(7 939 592)	-	(7 939 592)	(8 371 666)	(432 074)
Administration	-	-	-	(10 616 861)	(10 616 861)
Depreciation and amortisation	(60 331 217)	59 563 612	(767 605)	(76 146 250)	(75 378 645)
Impairment loss/ Reversal of impairments	-	-	-	(1 679 931)	(1 679 931)
Lease rentals on operating lease	-	-	-	(223 509)	(223 509)
Debt Impairment	(6 000 000)	3 705 922	(2 294 078)	(15 905 124)	(13 611 046)
Collection costs	-	-	-	96 034	96 034
Bulk purchases	(29 000 000)	7 297 274	(21 702 726)	(17 076 496)	4 626 230
Contracted Services	(173 570 290)	(40 343 977)	(213 914 267)	(241 488 146)	(27 573 879)
Transfers and Subsidies	(150 000)	(6 517 386)	(6 667 386)	(6 939 481)	(272 095)
Sale of goods/Inventory	(25 735 622)	10 267 270	(15 468 352)	(14 684 708)	783 644
General Expenses	(104 779 747)	12 673 045	(92 106 702)	(98 861 807)	(6 755 105)
Total expenditure	(607 724 951)	46 645 760	(561 079 191)	(700 831 604)	(139 752 413)

Operating surplus

Gain on disposal of assets and liabilities	-	-	-	8 359 695	8 359 695
Loss on disposal	-	-	-	(37 388)	(37 388)
Inventories losses/write-downs	-	-	-	1 138 323	1 138 323
Gain on non-current assets held for sale or disposal groups	-	-	-	552 938	552 938
	-	-	-	10 013 568	10 013 568

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Surplus before taxation	438 315 240	55 591 760	493 907 000	330 541 384	(163 365 616)	
Actual Amount on Comparable Basis	438 315 240	55 591 760	493 907 000	330 541 384	(163 365 616)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4 000 000	(1 400 000)	2 600 000	4 500 738	1 900 738	
Other receivables from non-exchange transactions	-	-	-	1 862 804	1 862 804	
Receivables from non-exchange transactions	-	-	-	1 611 504	1 611 504	
Other receivables from non-exchange transaction	-	-	-	1 602 261	1 602 261	
Consumer debtors	28 700 000	(2 700 000)	26 000 000	22 894 302	(3 105 698)	
VAT receivable	20 000 000	1 000 000	21 000 000	12 438 380	(8 561 620)	
Cash and cash equivalents	20 000 000	6 452 372	26 452 372	12 290 031	(14 162 341)	
	72 700 000	3 352 372	76 052 372	57 200 020	(18 852 352)	
Non-Current Assets						
Property, plant and equipment	4 137 959 471	56 601 760	4 194 561 231	3 936 561 571	(257 999 660)	
Intangible assets	2 100 000	(1 010 000)	1 090 000	14 790	(1 075 210)	
Heritage assets	-	-	-	1 212 635	1 212 635	
Other receivables from non-exchange transactions	-	15 000 000	15 000 000	14 806 486	(193 514)	
	4 140 059 471	70 591 760	4 210 651 231	3 952 595 482	(258 055 749)	
Total Assets	4 212 759 471	73 944 132	4 286 703 603	4 009 795 502	(276 908 101)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	42 000 000	18 000 000	60 000 000	207 884 434	147 884 434	
Taxes and transfers payable (non-exchange)	-	-	-	81 137	81 137	
Consumer deposits	3 700 000	-	3 700 000	3 612 083	(87 917)	
Employee benefit obligation (Post retirement-Medical aid)	12 000 000	-	12 000 000	157 094	(11 842 906)	
Unspent conditional grants and receipts	-	-	-	3 800 000	3 800 000	
Employee benefit Obligation (Long service award)	-	-	-	861 739	861 739	
	57 700 000	18 000 000	75 700 000	216 396 487	140 696 487	
Non-Current Liabilities						
Employee benefit obligation (Post retirement-Medical aid)	35 000 000	-	35 000 000	35 926 413	926 413	
Employee benefit Obligation (Long service award)	-	-	-	10 895 615	10 895 615	
Payables from exchange transaction	-	-	-	31 349 600	31 349 600	
	35 000 000	-	35 000 000	78 171 628	43 171 628	
Total Liabilities	92 700 000	18 000 000	110 700 000	294 568 115	183 868 115	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Net Assets	4 120 059 471	55 944 132	4 176 003 603	3 715 227 387	(460 776 216)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 120 059 471	55 944 132	4 176 003 603	3 715 227 387	(460 776 216)	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	46 548 857	(10 952 672)	35 596 185	20 275 329	(15 320 856)	
Interest income	10 000 000	(1 000 000)	9 000 000	4 759 511	(4 240 489)	
Other receipts	71 530 830	(69 180 000)	2 350 830	1 313 434	(1 037 396)	
Other cash item	979 656 000	8 946 000	988 602 000	981 452 000	(7 150 000)	
	1 107 735 687	(72 186 672)	1 035 549 015	1 007 800 274	(27 748 741)	
Payments						
Employee costs	(208 158 075)	-	(208 158 075)	(216 353 672)	(8 195 597)	
Suppliers	(333 385 659)	(6 387 673)	(339 773 332)	(381 144 290)	(41 370 958)	
Other cash item	(94 650 000)	23 833 435	(70 816 565)	-	70 816 565	
	(636 193 734)	17 445 762	(618 747 972)	(597 497 962)	21 250 010	
Net cash flows from operating activities	471 541 953	(54 740 910)	416 801 043	410 302 312	(6 498 731)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(438 315 240)	(55 591 760)	(493 907 000)	(410 477 199)	83 429 801	
Proceeds from sale of property, plant and equipment	5 000 000	(5 000 000)	-	-	-	
Purchase of other intangible assets	-	-	-	(13 413)	(13 413)	
Purchase of service concession assets	-	93 079 998	93 079 998	-	(93 079 998)	
Proceeds from service concession assets	-	(2 000 000)	(2 000 000)	-	2 000 000	
Net cash flows from investing activities	(433 315 240)	30 488 238	(402 827 002)	(410 490 612)	(7 663 610)	
Net increase/(decrease) in cash and cash equivalents	38 226 713	(24 252 672)	13 974 041	(188 300)	(14 162 341)	
Cash and cash equivalents at the beginning of the year	12 478 331	-	12 478 331	12 478 331	-	
Cash and cash equivalents at the end of the year	50 705 044	(24 252 672)	26 452 372	12 290 031	(14 162 341)	
Reconciliation						

The accounting policies on pages 18 to 31 and the notes on pages 32 to 74 form an integral part of the annual financial statements.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R		
2020											
Financial Performance											
Service charges	54 763 361	-	54 763 361	-	-	54 763 361	37 633 180		(17 130 181)	69 %	69 %
Investment revenue	10 000 000	(1 000 000)	9 000 000	-	-	9 000 000	4 759 511		(4 240 489)	53 %	48 %
Transfers recognised - operational	487 804 000	8 946 000	496 750 000	-	-	496 750 000	485 800 000		(10 950 000)	98 %	100 %
Other own revenue	1 620 830	1 000 000	2 620 830	-	-	2 620 830	3 005 990		385 160	115 %	185 %
Total revenue (excluding capital transfers and contributions)	554 188 191	8 946 000	563 134 191	-	-	563 134 191	531 198 681		(31 935 510)	94 %	96 %
Employee costs	(200 218 483)	-	(200 218 483)	-	-	(200 218 483)	(208 933 659)		(8 715 176)	104 %	104 %
Remuneration of councillors	(7 939 592)	-	(7 939 592)	-	-	(7 939 592)	(8 371 666)		(432 074)	105 %	105 %
Debt impairment	(6 000 000)	3 705 922	(2 294 078)			(2 294 078)	(15 905 124)		(13 611 046)	693 %	265 %
Depreciation and asset impairment	(60 331 217)	59 563 612	(767 605)			(767 605)	(77 826 181)		(77 058 576)	10 139 %	129 %
Materials and bulk purchases	(54 735 622)	17 564 544	(37 171 078)	-	-	(37 171 078)	(17 076 496)		20 094 582	46 %	31 %
Transfers and grants	(150 000)	(6 517 386)	(6 667 386)	-	-	(6 667 386)	(6 939 481)		(272 095)	104 %	4 626 %
Other expenditure	(278 350 037)	(27 670 932)	(306 020 969)	-	-	(306 020 969)	(365 816 385)		(59 795 416)	120 %	131 %
Total expenditure	(607 724 951)	46 645 760	(561 079 191)	-	-	(561 079 191)	(700 868 992)		(139 789 801)	125 %	115 %
Surplus/(Deficit)	(53 536 760)	55 591 760	2 055 000	-	-	2 055 000	(169 670 311)		(171 725 311)	(8 256)%	317 %

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R		
Transfers recognised - capital	491 852 000	-	491 852 000	-	491 852 000	491 852 000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	438 315 240	55 591 760	493 907 000	-	493 907 000	322 181 689		(171 725 311)	65 %	74 %
Surplus/(Deficit) for the year	438 315 240	55 591 760	493 907 000	-	493 907 000	322 181 689		(171 725 311)	65 %	74 %
Capital expenditure and funds sources										
Total capital expenditure	438 415 000	55 591 760	494 006 760	-	494 006 760	410 490 611		(83 516 149)	83 %	94 %
Sources of capital funds										
Transfers recognised - capital	435 210 000	55 591 760	490 801 760	-	490 801 760	431 212 000		(59 589 760)	88 %	99 %
Internally generated funds	3 105 000	(1 050 000)	2 055 000	-	2 055 000	1 715 000		(340 000)	83 %	55 %
Total sources of capital funds	438 315 000	54 541 760	492 856 760	-	492 856 760	432 927 000		(59 929 760)	88 %	99 %

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R		
Cash flows											
Net cash from (used) operating	471 541 953	(54 740 909)	416 801 044	-	-	416 801 044	410 302 312		(6 498 732)	98 %	87 %
Net cash from (used) investing	(433 315 240)	30 488 238	(402 827 002)	-	-	(402 827 002)	(410 490 612)		(7 663 610)	102 %	95 %
Net increase/(decrease) in cash and cash equivalents	38 226 713	(24 252 671)	13 974 042	-	-	13 974 042	(188 300)		(14 162 342)	(1)%	- %
Cash and cash equivalents at the beginning of the year	12 478 331	-	12 478 331	-	-	12 478 331	12 478 331		-	100 %	100 %
Cash and cash equivalents at year end	50 705 044	(24 252 671)	26 452 373	-	-	26 452 373	12 290 031		14 162 342	46 %	24 %

The budget variances are explained in note 46

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded to the nearest Rand.

1.2 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 judgement 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:

Impairment testing

The recoverable amounts 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 indigent assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

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 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The assessment is done as per note 44.

1.4 Comparative figures

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.

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

1.5 Property, plant and equipment

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 period.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

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 assets' residual value where applicable.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure	Straight line	
• Water		7-70 years
• Sewerage		7-70 years
Community	Straight line	
• Buildings		15-70 years
• Recreational Facilities		15-70 years
Other property, plant and equipment	Straight line	
• Buildings		10-50 years
• Specialist vehicles		4-15 years
• Other vehicles		4-15 years
• Office equipment		3-25 years
• Furniture and fittings		3-5 years
• Emergency equipment		10-30 years
• Computer equipment		3-11 years
Finance leased assets	Straight line	
• Office equipment		5 years

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

1.6 Heritage assets

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.

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.

Subsequent measurement

The municipality uses either cost 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.

Derecognition

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 Intangible assets

Initial recognition

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Intangible assets (continued)

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.

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

Any increase in the carrying amount of an intangible asset, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in the carrying amount of an intangible asset, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

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.

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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5-7 years

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Inventories

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 weighted average cost 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.

Subsequent measurement

Inventories, consisting of consumable stores and materials, 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 write-down 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.

Zululand District Municipality

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Accounting Policies

1.9 Financial instruments

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.

Classification

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:

Class	Category
Cash at bank	Financial asset measured at amortised cost
Account Receivables and Payables	Financial asset measured at amortised cost

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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.

Impairment and uncollectibility of financial assets

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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.

1.10 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 year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable are 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 and other receivables are accounted for by reducing the carrying amount of trade and other 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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.17 Provisions and contingencies

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 from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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.

1.19 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

1.20 Grants, transfer 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.

1.21 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 provision 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.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.21 Employee benefits (continued)

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.

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 multi-employer 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.

1.22 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.

1.23 Budget Information

The approved budget covers the financial period from 01 Jul 2019 to 30 Jun 2020.

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 2019 to 30 June 2020.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.24 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. Commitments are disclosed inclusive of VAT.

1.25 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-cash-generating 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.

1.26 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

Statutory receivables (continued)

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
- GRAP 20: Related parties - GRAP 32: Service Concession Arrangements: Grantor - GRAP 105: Transfers of functions between entities under common control - GRAP 106 (as amended 2016): Transfers of functions between entities not under common control - GRAP 107: Mergers - GRAP 108: Statutory Receivables - GRAP 109: Accounting by Principals and Agents - IGRAP 11: Consolidation – Special purpose entities - IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures - IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset - IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land - IGRAP 19: Liabilities to Pay Levies - GRAP 12 (as amended 2016): Inventories	01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2019 01 April 2018	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
- GRAP 16 (as amended 2016): Investment Property - GRAP 17 (as amended 2016): Property, Plant and Equipment - GRAP 21 (as amended 2016): Impairment of non-cash-generating assets - GRAP 26 (as amended 2016): Impairment of cash-generating assets - GRAP 27 (as amended 2016): Agriculture - GRAP 31 (as amended 2016): Intangible Assets - GRAP 103 (as amended 2016): Heritage Assets - Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018 01 April 2018 01 April 2018 01 April 2018 01 April 2018 01 April 2018 01 April 2018 01 April 2018	

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 104 (amended): Financial Instruments

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality has early adopted the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of the standard is not material.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The impact of the standard is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

				2020 R	2019 R
3. Cash and cash equivalents (continued)					
Cash on hand				5 800	6 000
Cash at bank				12 284 231	12 472 331
				12 290 031	12 478 331
The municipality had the following bank accounts					
Account number / description	Bank statement balances			Cash book balances	
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019
ABSA BANK (Primary - Account Type - 4047162045	13 106 989	12 744 698	15 248 171	12 290 231	12 472 331
					13 194 448
4. Trade receivable from exchange transaction					
Gross balances					
Water				97 054 563	84 077 020
Waste water				32 993 070	28 996 952
Other				265 777	192 118
				130 313 410	113 266 090
Less: Allowance for Impairment					
Water				(79 246 518)	(70 640 548)
Waste water				(28 166 060)	(25 024 131)
Other				(6 530)	-
				(107 419 108)	(95 664 679)
Net balance					
Water				17 808 045	13 436 472
Waste water				4 827 010	3 972 821
Other				259 247	192 118
				22 894 302	17 601 411
Water					
Current (0 -30 days)				6 537 503	4 947 710
31 - 60 days				1 439 481	1 548 693
61 - 90 days				2 004 521	2 385 604
91 - 120 days				2 147 813	2 173 674
121 - 365 days				13 026 884	12 817 098
> 365 days				71 898 360	60 204 241
Less: Impairment				(79 246 517)	(70 640 548)
				17 808 045	13 436 472
Waste water					
Current (0 -30 days)				1 627 432	1 540 449
31 - 60 days				650 797	664 831
61 - 90 days				627 948	714 663
91 - 120 days				614 126	590 513
121 - 365 days				3 869 900	3 830 078
> 365 days				25 602 868	21 656 418
Less: Impairment				(28 166 061)	(25 024 131)
				4 827 010	3 972 821

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
4. Trade receivable from exchange transaction (continued)		
Other (specify)		
Current (0 -30 days)	27 594	2 690
31 - 60 days	11 308	-
61 - 90 days	10 331	-
91 - 120 days	9 961	335
121 - 365 days	24 910	50 998
> 365 days	175 143	138 095
	259 247	192 118

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
4. Trade receivable from exchange transaction (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5 345 324	4 009 276
31 - 60 days	1 382 597	1 303 545
61 - 90 days	1 871 539	1 715 875
91 - 120 days	2 070 345	1 991 702
121 - 365 days	13 571 092	13 879 443
> 365 days	91 332 335	78 463 697
	<u>115 573 232</u>	<u>101 363 538</u>
Less: Allowance for impairment	<u>(107 419 108)</u>	<u>(95 664 679)</u>
	8 154 124	5 698 859
Industrial/ commercial		
Current (0 -30 days)	800 376	526 011
31 - 60 days	305 375	157 910
61 - 90 days	322 338	175 314
91 - 120 days	359 094	108 434
121 - 365 days	1 063 853	1 274 861
> 365 days	2 764 706	1 854 308
	<u>5 615 742</u>	<u>4 096 838</u>
National and provincial government		
Current (0 -30 days)	2 046 829	1 955 560
31 - 60 days	413 613	752 069
61 - 90 days	448 922	1 209 079
91 - 120 days	342 461	664 386
121 - 365 days	2 286 749	1 543 870
> 365 days	3 585 861	1 680 750
	<u>9 124 435</u>	<u>7 805 714</u>
Total		
Current (0 -30 days)	8 192 529	6 494 212
31 - 60 days	2 101 585	2 213 524
61 - 90 days	2 642 799	3 100 267
91 - 120 days	2 771 900	2 764 521
121 - 365 days	16 921 694	16 694 811
> 365 days	97 682 903	81 998 755
	<u>130 313 410</u>	<u>113 266 090</u>
Less: Allowance for impairment	<u>(107 419 108)</u>	<u>(95 664 679)</u>
	22 894 302	17 601 411
Less: Allowance for impairment		
Current (0 -30 days)	(3 999 347)	(2 944 813)
31 - 60 days	(1 032 882)	(952 253)
61 - 90 days	(1 467 983)	(1 474 904)
91 - 120 days	(1 613 959)	(1 781 871)
121 - 365 days	(11 502 261)	(12 384 020)
> 365 days	(87 802 676)	(76 126 818)
	<u>(107 419 108)</u>	<u>(95 664 679)</u>

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
4. Trade receivable from exchange transaction (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(95 664 679)	(80 857 244)
Contributions to allowance	(11 754 429)	(14 807 435)
	(107 419 108)	(95 664 679)
5. Other receivables from non-exchange transactions		
Debtors: Deposits Held	14 806 486	14 644 481
Debtor: Aqua Transport and Plants	-	1 161 352
Debtor: Tracker	134 248	134 248
Debtor: KZN Aviation	1 950	1 950
Debtor: World Focus	284 241	284 241
Debtor: Avis	(13 628)	3 487
Other debtors	1 455 993	830 702
	16 669 290	17 060 461
Non-current assets	14 806 486	14 644 481
Current assets	1 862 804	2 415 980
	16 669 290	17 060 461
6. Receivables from non-exchange transactions		
Debtor: Enduneni Constructors	855 190	855 190
Debtor: Amanzi Ichweba	-	1 431 988
Debtor: Insurance Claim	80 488	80 488
Debtor: eDumbe Municipality	369 621	369 621
Debtor: Nongoma Municipality	304 255	304 255
Debtor: Department of Water and Sanitation	-	2 717 840
Debtor: Other	1 950	1 950
	1 611 504	5 761 332
Reconciliation of Receivables from exchange transactions		
Opening balance	5 761 332	5 761 332
Additions	4 231	-
Impairment adjustment	(4 154 059)	-
	1 611 504	5 761 332
Total receivables from non-exchange transactions	1 611 504	5 761 332
7. Other receivables from non-exchange transactions		
Other receivables from non-exchange transaction	1 602 261	1 152 606
Prepaid expense on Eskom accounts as at 30 June 2020		
8. VAT receivable		
VAT receivable	12 438 380	14 089 565

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
9. Inventories		
Consumable stores	4 374 358	2 007 401
Water for distribution	57 988	57 988
Fuel (Diesel, Petrol)	68 392	68 392
	4 500 738	2 133 781
Consumable stores		
At cost	2 007 401	2 630 002
Additions	4 255 923	997 036
Issued/ (expensed)	(3 027 290)	(1 620 137)
Adjustments	1 138 324	-
	4 374 358	2 006 901
Fuel		
At cost	68 392	68 392
Water for Distribution		
At cost	57 988	57 988

Inventory pledged as security

There was no inventory pledged as security for overdraft facility.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	470 000	-	470 000	470 000	-	470 000
Buildings	45 445 591	(17 252 421)	28 193 170	45 445 591	(16 064 578)	29 381 013
Infrastructure	3 339 158 399	(509 444 362)	2 829 714 037	2 637 276 969	(439 371 379)	2 197 905 590
Community	9 967 535	(3 390 336)	6 577 199	9 397 514	(2 594 321)	6 803 193
Other property, plant and equipment	74 184 024	(51 396 161)	22 787 863	66 140 871	(47 300 131)	18 840 740
Capital work in Progress	1 048 819 302	-	1 048 819 302	1 341 601 914	-	1 341 601 914
Total	4 518 044 851	(581 483 280)	3 936 561 571	4 100 332 859	(505 330 409)	3 595 002 450

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	470 000	-	-	-	-	-	-	470 000
Buildings	29 381 013	-	-	-	54 897	(1 242 740)	-	28 193 170
Infrastructure	2 197 905 590	3 846 643	698 034 786	-	498 034	(68 891 081)	(1 679 935)	2 829 714 037
Community	6 803 193	-	-	-	-	(225 994)	-	6 577 199
Other property, plant and equipment	18 840 740	1 227 986	8 510 088	-	(37 387)	(5 753 564)	-	22 787 863
Capital work in Progress	1 341 601 914	405 402 570	-	(699 852 090)	1 666 908	-	-	1 048 819 302
Total	3 595 002 450	410 477 199	706 544 874	(699 852 090)	2 182 452	(76 113 379)	(1 679 935)	3 936 561 571

Zululand District Municipality
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	470 000	-	-	-	-	470 000
Buildings	30 638 318	-	-	-	(1 257 305)	29 381 013
Infrastructure	1 895 481 482	-	358 422 810	-	(55 978 702)	2 197 905 590
Community	7 043 575	-	-	-	(240 382)	6 803 193
Other property, plant and equipment	18 332 164	6 629 345	-	-	(6 120 769)	18 840 740
Capital work in Progress	1 313 947 365	374 312 777	-	(346 658 228)	-	1 341 601 914
	3 265 892 904	380 942 122	358 422 810	(346 658 228)	(63 597 158)	3 595 002 450

Pledged as security

There is no restriction on title and Property, plant and Equipment pledged as security:

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
10. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Causes of delays to all projects has been mainly on service providers cashflow which is due to delayed payments caused by an inadequate provision in project funds from treasury funding model.		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Project 1	15 875 908	-
Delayed due to fittings that are obtained from abroad.	1	-
Project 2	6 997 694	-
Eskom outages and Covid -19	1	-
Project 1	-	15 414 043
[Service provider abandoned the site.	-	74 755 547
Project 2	-	10 068 306
[Consultant went bankrupt.]	-	5 320 439
Project 3	-	11 152 819
[Funds were exhausted.]	-	-
Project 4	-	-
[Service provider abandoned the site.	-	-
	22 873 604	116 711 154

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	1 341 601 914	1 341 601 914
Additions/capital expenditure	405 402 569	405 402 569
Other movements	1 666 908	1 666 908
Transferred to completed items	(699 852 090)	(699 852 090)
	1 048 819 301	1 048 819 301

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	1 313 769 319	1 313 769 319
Additions/capital expenditure	374 312 777	374 312 777
Transferred to completed items	(346 658 232)	(346 658 232)
	1 341 423 864	1 341 423 864

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Part of Repairs and Maintenance as disclosed in Note 35 is an amount of R 90 583 973 spent on Property Plant and Equipment items.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
10. Property, plant and equipment (continued)		
Class of Property Plant and Equipment (Repairs and Maintenance)		
Motor Vehicle	1 981 583	4 789 574
Computers	101 764	9 225
Buildings	3 879 616	5 075 582
Infrastructure	84 549 135	64 262 318
Other	71 875	466 007
	90 583 973	74 602 706

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections and exhibit	1 212 635	-	1 212 635	1 212 635	-	1 212 635

Reconciliation of heritage assets 2020

	Opening balance	Total
Art collections and exhibits	1 212 635	1 212 635

Reconciliation of heritage assets 2019

	Opening balance	Total
Art collections and exhibit	1 212 635	1 212 635

Heritage assets which fair values cannot be reliably measured

Pledged as security

There is no heritage assets pledged as security:

Heritage assets in the process of being constructed or developed

Carrying value of Heritage assets where construction or development has been halted either during the current or previous reporting period(s)

Project 1 or Class 1 or Asset 1

The Municipality is yet to finalise the procurement processes to complete the site preparation and erection of stature.

There are no impairment losses that have been recognised in relation to this project.

1 212 635 1 212 635

1 212 635 1 212 635

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	244 832	(230 042)	14 790	231 419	(197 175)	34 244

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	34 244	13 413	(32 867)	14 790

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	171 191	(136 947)	34 244

Pledged as security

There is no intangible assets pledged as security:

13. Payables from exchange transactions

Accrued leave pay	14 115 891	9 279 982
Accrued bonus	4 115 100	3 872 825
Creditors	129 949 724	92 529 721
Unallocated deposits	291 560	344 915
Rental deposit: Avis	2 682	2 682
Rental deposit: Waphatha Group (Pty) Ltd	2 682	2 682
Retention Services	49 454 304	52 789 550
Debtors with credit balances	1 523 857	1 552 707
Other Creditors	28 634	2 520 576
Water and sanitation services	-	23 252 065
Department of water and sanitation	8 400 000	8 400 000
Aqua Transport	-	11 857 234
	207 884 434	206 404 939

14. Consumer deposits

Water	3 612 083	3 617 293

No guaranties are held in lieu of water deposits

15. Payable from - non-exchange

Creditor: Deceased Staff Member	649	1 384
Creditor: Deceased Staff Member	80 488	80 488
	81 137	81 872

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
KZN Capacity Building Grant	1 000 000	
Tourism Strategy Grant	700 000	
KZN KwaMajomela Project	2 100 000	
	3 800 000	
Movement during the year		
Additions during the year	981 452 000	876 889 951
Income recognition during the year	(977 652 000)	(876 889 951)
	3 800 000	
17. Rental deposits held		
Rental deposit held	28 634	2 420
Rental of office space, refundable upon termination of contract		
18. Payables from exchange transaction		
Department of water and sanitation	31 349 600	34 512 708

19. Employee benefit obligations

20.1 Post retirement medical benefit plan

Employees belong to a variety of approved pension and provident funds.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, Samwumed, Bonitas and Hosmed.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

19. Employee benefit obligations (continued)

20.2 Multi-employer pension funds

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(36 083 507)	(26 350 000)
Non-current liabilities	(35 926 413)	(25 981 000)
Current liabilities	(157 094)	(369 000)
	(36 083 507)	(26 350 000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	26 350 000	23 028 000
Net expense recognised in the statement of financial performance	9 733 507	3 322 000
	36 083 507	26 350 000

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
19. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	1 684 000	2 090 000
Interest cost	2 677 000	2 381 000
Actuarial (gains) losses	5 741 507	(925 000)
Benefits paid	(369 000)	(224 000)
	9 733 507	3 322 000
Key assumptions used		
Assumptions used at the reporting date:		
Actual return on plan assets	- %	1.00 %
Average retirement age	63	63
Discount rates used	8.76 %	8.76 %
Medical cost trend rates	7.26 %	7.26 %
Ultimate mortality table	SA 85-90 PA 90-1	SA 85-90 0
Additional text		
Age 20	16.0 %	16.0 %
Age 30	7.0 %	7.0 %
Age 40	10.1 %	10.1 %
Age 50	15.5 %	15.5 %
Age 55+	1.0 %	1.0 %

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
19. Employee benefit obligations (continued)		
Long service awards and retirement gifts		
The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	- %	8.95 %
General salary inflation (long term)	7.00 %	7.56 %
Net effective discount rate	1.00 %	1.00 %
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment		
Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 29 June 2019 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period. The average retirement age for all employees was assumed to be 63 years hence this assumption allows for ill-health and early retirements. Normal retirement age for all active employees was assumed to be 65 years. Mortality rate before retirement was based on SA 85-90 mortality tables whilst mortality post-employment (for pensioners) was based on PA (90) ultimate mortality tables. The assumption was made that the marital status for married members will remain the same until retirement and 90% of all single employees will be married at retirement with no dependent children. The female spouses were assumed to be five (5) years younger than their male spouses.		
	Per 1,000 members	Per 1,000 members
Age 20	160	160
Age 25	120	120
Age 30	100	100
Age 35	80	80
Age 40	60	60
Age 45+	40	40
Age 50	20	20
Age 55+	10	10
Membership summary		
Number of members	478	526
Average age of members (years)	42.7	42.7
Average past service (years)	8.6	8.6
Average salary (annual)	224 920	201 69
Benefit Structure		
Service years	Award (Number of days)	Award (Number of days)
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
19. Employee benefit obligations (continued)		
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	10 874 000	9 484 000
Current service cost	1 042 000	1 056 000
Interest cost	1 091 000	972 000
Expected benefit payments	(1 125 000)	(767 000)
Recognised actuarial (gains)/losses	(124 646)	129 000
Balance at end of year	11 757 354	10 874 000
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1 042 000	1 056 000
Interest Cost	1 091 000	972 000
Expected benefit payments	(1 125 000)	(767 000)
Recognised actuarial (gains)/losses	(124 646)	129 000
	883 354	1 390 000
In conclusion these are the balances that has been incurred during the year:		
Statement of Financial Position obligation	11 757 354	10 874 000
Statement of Financial Performance	883 354	1 390 000

Key assumptions used

In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA- this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 8.95% which represents the average yield from the zero coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

20. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Accumulated surplus	Total
Opening balance	(3 384 685 993)	(3 384 685 993)
Surplus	(330 541 394)	(330 541 394)
	(3 715 227 387)	(3 715 227 387)

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
20. Accumulated surplus (continued)		
Ring-fenced internal funds and reserves within accumulated surplus - 2019		
	Accumulated surplus	Total
Opening balance	(3 088 282 865)	(3 088 282 865)
Surplus	(304 074 395)	(304 074 395)
prior error adjustments	7 671 267	7 671 267
	(3 384 685 993)	(3 384 685 993)
21. Service charges		
Sale of water	27 195 252	23 073 349
Sewerage and sanitation charges	10 437 928	10 439 398
	37 633 180	33 512 747
22. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	159 359	155 504
Included in the above rentals are operating lease rentals at straight-lined amounts.		
23. Other income		
Connections fee - Water	59 774	184 293
Connections fee - Sewerage	19 188	39 490
Skills Levy Refunds	346 157	417 287
Non-refundable tender deposit	683 739	1 052 790
Clearance certification	512	116
Handling fees	14 664	18 009
Consumer deposits forfeited	250	6 216
	1 124 284	1 718 201
24. Investment revenue		
Interest revenue		
Bank	4 759 511	7 802 779
The amount included in Investment revenue arising from exchange transactions amounted to R 4 743 127.		
25. Interest, dividends and Rent on Land		
Interest - Receivables	27 212	40 391

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Government grants and subsidies		
Operating grants		
Equitable share	464 560 000	424 766 000
Expanded Public Works Program	8 818 000	5 908 000
Finance Management Grant	1 465 000	1 000 000
KZN grant Indonsa Culture Center	1 911 000	1 911 000
KZN Environmental grant	-	552 951
KZN grant-Town Planning and Development	550 000	300 000
Energy and Demand Management	6 000 000	-
KZN grant-Royal Households water refurb	1 900 000	-
Disaster Relief Grant (Covid-19)	596 000	-
	485 800 000	434 437 951
Capital grants		
Regional Bulk Infrastructure Grant	163 774 000	131 498 000
Municipal Infrastructure Grant	225 574 000	220 762 000
Water Services Infrastructure Grant	100 000 000	87 828 000
Rural Roads Asset Management Grant	2 504 000	2 364 000
	491 852 000	442 452 000
	977 652 000	876 889 951
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	516 892 000	452 123 951
Unconditional grants received	464 560 000	424 766 000
	981 452 000	876 889 951
Equitable Share		
Current-year receipts	464 560 000	424 766 000
Conditions met- transfer to revenue	(464 560 000)	(424 766 000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
KZN Environmental grant		
Current-year receipts	-	552 951
Conditions met - transferred to revenue	-	(552 951)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Infrastructure Grant		
Current-year receipts	225 574 000	220 762 000
Conditions met - transferred to revenue	(225 574 000)	(220 762 000)
	-	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Government grants and subsidies (continued)		
Road Asset Management Grant		
Current-year receipts	2 504 000	2 364 000
Conditions met - transferred to revenue	(2 504 000)	(2 364 000)
	-	-
Regional Bulk Infrastructure Grant		
Current-year receipts	163 774 000	131 498 000
Conditions met - transferred to revenue	(163 774 000)	(131 498 000)
	-	-
Water Infrastructure Grant		
Current-year receipts	100 000 000	87 828 000
Conditions met - transferred to revenue	(100 000 000)	(87 828 000)
	-	-
Financial Management Grant		
Current-year receipts	1 465 000	1 000 000
Conditions met - transferred to revenue	(1 465 000)	(1 000 000)
	-	-
Expanded Public Works Program		
Current-year receipts	8 818 000	5 908 000
Conditions met - transferred to revenue	(8 818 000)	(5 908 000)
	-	-
INDONSA		
Current-year receipts	1 911 000	1 911 000
Conditions met - transferred to revenue	(1 911 000)	(1 911 000)
	-	-
Shared Services		
Current-year receipts	550 000	300 000
Conditions met - transferred to revenue	(550 000)	(300 000)
	-	-
Capacity Building Grant		
Current-year receipts	1 000 000	-
	-	-
Tourism Strategy Grant		
Current-year receipts	700 000	-
	-	-
KwaMajomela Project		

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Government grants and subsidies (continued)		
Current-year receipts	2 100 000	-
Disaster Relief Grant-(Covid-19)		
Current-year receipts	596 000	-
Conditions met - transferred to revenue	(596 000)	-
	-	-
The grant was conditional to Covid-19 disaster relief projects. As part of Covid-19 expenditure incurred are disaster items including instruments used for fumigation of taxi ranks. There are no outstanding conditions still to be met, hence no liability remaining.		
27. Fines, Penalties and Forfeits		
Illegal Connections Fines	3 874	12 167

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
28. Employee related costs		
Basic	134 307 285	124 167 329
Bonus	9 290 828	8 688 792
Medical aid - company contributions	11 221 834	10 557 289
UIF	1 067 238	1 058 789
Stand by allowance	5 691 018	4 544 828
Leave pay provision charge	5 465 388	4 756 104
Industrial bargaining council levy	115 222	111 493
Defined contribution plans	17 372 851	15 751 036
Motor car allowances	6 438 706	6 011 168
Overtime payments	4 984 621	10 569 957
Long-service awards	1 428 998	1 011 500
Acting allowances	937 927	978 079
Housing benefits and allowances	1 142 187	1 120 597
Cellular phone allowance	506 396	491 248
Shift allowance	1 009 085	12 000
	200 979 584	189 830 209
Remuneration of Municipal Manager		
Annual Remuneration	1 432 652	393 149
Car Allowance	338 002	88 064
Contributions to UIF, Medical and Pension Funds	32 460	6 513
	1 803 114	487 726
The post of the municipal manager has remained vacant until March 2019. Only in 2019/20 where the position was occupied the full year.		
Remuneration of Chief Financial Officer		
Annual Remuneration	1 082 283	1 204 066
Car Allowance	245 899	238 750
Contributions to UIF, Medical and Pension Funds	1 896	1 890
	1 330 078	1 444 706
Remuneration - Director of Planning		
Annual Remuneration	1 281 527	1 003 390
Car Allowance	230 229	222 087
Contributions to UIF, Medical and Pension Funds	42 162	39 603
	1 553 918	1 265 080
Remuneration of Acting Director Technical Services		
Annual Remuneration	481 945	961 567
Car Allowance	102 969	218 325
Contributions to UIF, Medical and Pension Funds	8 691	1 732
	593 605	1 181 624
Remuneration - Director of Corporate services		
Annual Remuneration	1 082 283	1 169 372
Car Allowance	245 898	234 108
Contributions to UIF, Medical and Pension Funds	1 897	1 890

Zululand District Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
28. Employee related costs (continued)		
	1 330 078	1 405 370
Employee costs - Director of Community services		
Annual Remuneration	1 035 768	1 059 446
Car Allowance	245 898	238 744
Contributions to UIF, Medical and Pension Funds	61 616	51 654
	1 343 282	1 349 844
Total employee cost	208 933 659	196 964 559
29. Remuneration of councillors		
Mayor	934 651	900 271
Deputy Mayor	473 008	466 423
Executive Committee Members	2 878 446	2 817 115
Speaker	749 791	738 395
Councillors	3 106 073	2 966 963
Councillors' pension and medical aid contribution	229 697	199 570
	8 371 666	8 088 737
In-kind benefits		
The Speaker, the Mayor, the Deputy Mayor the and Executive Committee Members are full-time.		
The Speaker, Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.		
The Speaker, Mayor and Deputy Mayor are provided with bodyguards.		
The Councillors are provided with body guards where request has been approved.		
30. Depreciation and amortisation		
Property, plant and equipment	76 113 514	63 597 157
Intangible assets	32 736	136 947
	76 146 250	63 734 104
31. Lease rentals on operating lease		
Premises		
Contractual amounts	235 910	428 755
Equipment		
Contractual amounts	(12 401)	12 401
	223 509	441 156
32. Debt impairment		
Contributions to debt impairment provision	15 905 124	14 807 435

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
33. Collection costs		
Collection costs	(96 034)	1 018 527
Collection cost is based on services provided to disconnect, restrictions and reconnections of consumers.		
34. Bulk purchases		
Electricity - Eskom	(654 984)	72 007
Water	17 731 480	31 986 791
	17 076 496	32 058 798
35. Contracted services		
Outsourced Services		
Burial Services		110 500
Business and Advisory	4 712 396	6 009 718
Catering Services	2 338 320	3 466 046
Cleaning Services	5 008 347	3 173 354
Hygiene Services	4 195 501	163 024
Internal Auditors	3 273 433	3 735 782
Meter Management	3 801 463	1 428 250
Personnel and Labour	133 896	137 236
Security Services	31 588 646	29 229 948
Water Tankers	81 259 945	55 428 557
Consultants and Professional Services		
Business and Advisory	18 430 744	17 845 575
Infrastructure and Planning	-	15 817
Legal Cost	1 143 018	2 082 815
Contractors		
Artists and Performers	245 750	674 119
Audio-visual Services	47 000	130 976
Maintenance of Equipment	913 920	1 150 231
Maintenance of Infrastructure Assets	76 515 269	74 525 803
Medical Services	-	60 000
Sewerage Services	7 679 408	6 458 467
Stage and Sound Crew	201 090	271 500
	241 488 146	206 097 718
36. Grants and subsidies paid		
Other subsidies		
Poverty alleviation	6 291 875	993 416
Tourism contribution	-	78 170
KZN Environmental protection	-	480 827
Transfer to Entity	647 606	1 438 269
	6 939 481	2 990 682
37. Inventory consumed		
Materials and Supplies	14 684 708	10 698 839

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
38. General expenses		
Achievements and awards	192 500	189 500
Advertising	7 429 136	6 492 210
Audit fees	3 549 230	3 283 768
Bank charges	353 807	335 967
Discount allowed	32 337	201 836
Entertainment	202 318	330 331
Hire Charges (Functions)	3 976 103	2 357 582
Insurance	2 263 691	472 642
External Computer Service	1 012 449	-
Skills development levies	1 485 531	1 976 255
Driver's licenses and permits	503 882	431 780
Fuel and oil	4 690 873	5 237 833
Communication	261 596	939
Printing and Publication	2 058 282	640 752
Registration	65 465	122 001
Subscriptions and membership fees	35 165	3 978 019
Telephone and fax	3 633 334	3 524 490
Transport and freight	2 660 399	3 773 625
Travel - local	14 610 340	15 336 902
Assets expensed	489 549	-
Utilities - Eskom Accounts	43 967 883	40 233 804
Uniforms	3 737 674	621 143
Consultants fees	149 191	2 677 849
Workmen's compensation	947 874	1 021 973
Honoraria	253 400	214 500
Vehicle tracking	228 501	233 837
Staff Bursary	32 287	191 097
Amakhosi Sitting Allowance	39 010	-
	98 861 807	93 880 635
39. Auditors' remuneration		
Fees	3 549 230	3 283 768

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
40. Cash generated from operations		
Surplus	330 541 384	296 403 129
Adjustments for:		
Depreciation and amortisation	76 146 250	63 734 104
Prior year adjustment on fully depreciated assets	(552 938)	-
Impairment deficit	-	-
Debt impairment	15 905 124	14 807 435
Movements in retirement benefit assets and liabilities	9 733 507	(6 162 000)
Movements in provisions	883 354	10 874 000
Interest income	16 180	-
Impairment loss	1 679 935	-
Other non-cash items(Donated assets)	(8 359 695)	(11 764 570)
Changes in working capital:		
Changes other receivables from exchange	(2 366 957)	998 503
Other non-cash items(Donated assets)	391 171	(3 025 969)
Trade receivable from exchange transaction	(21 198 015)	(26 255 398)
Receivables from non-exchange transactions	4 149 828	503 455
Other receivables from non-exchange transaction	(449 655)	637 906
VAT receivable	1 651 185	5 939 716
Payables from exchange transactions	1 479 495	34 834 899
Payables from non - exchange transactions	(735)	(12 287)
Unspent conditional grants and receipts	3 800 000	(552 951)
Consumer deposits	(5 210)	(9 812)
Short-term portion non-current liabilities	-	(8 400 000)
Non-current payables from exchange transactions	(3 141 896)	-
	410 302 312	372 550 160
41. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	631 384 327	702 889 427
Total capital commitments		
Already contracted for but not provided for	631 384 327	702 889 427
The Municipality has entered into various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	206 824	188 022
- in second to fifth year inclusive	477 763	684 587
	684 587	872 609

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
42. Contingencies		
Year 2020		
Litigation		
Matter between Zululand District Municipality / S.B Nkosi: Labour Court Review.	70 000	
Litigation		
Zululand District Municipality / S.B. Nkosi: Bargaining Council Arbitration.	200 000	
Litigation		
Zululand District Municipality / COGTA	300 000	
Litigation		
Zululand District Municipality / E.S. Ngcobo	80 000	
Litigation		
Zululand District Municipality / TMS Properties CC: High Court Review of tender process.	150 000	
Claim		
Litigation		
Zululand District Municipality / Moteko Construction.	300 000	
Litigation		
Zululand District Municipality / Rocla.	800 000	
	<u>1 900 000</u>	
Year 2019		
Litigation		
Matter between Zululand District Municipality and M Shandu on dismissal disputes.	58 851	
Litigation		
Zululand District Municipality / S.B Nkosi: Labour Court Review.	70 000	
Litigation		
Zululand District Municipality / S.B Nkosi: Bargaining Council Arbitration.	200 000	
Litigation		
An application is reviewing an award of tender in a High Court.	100 000	
Litigation		
The municipality is being sued by plaintiff in respect of a balance for service rendered by the plaintiff for water supply scheme and tourist hub program. The municipality is defending the matter and has filled plea and claim reconvention. Plaintiff has expected to defend claim in convention.	1 866 848	
Claim		
Zululand District Municipality is putting a counter claim on the matter in respect of balance for service rendered by the plaintiff for water scheme and tourism hub mentioned above.	638 612	
Litigation		
Matter between Zululand District Municipality and Health Systems Trust.	44 976	
	<u>2 979 287</u>	
	<u>2 979 287</u>	

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

43. Risk management

Financial risk management

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risks include interest rate and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

COVID-19 Risk assessment

Revenue

During the lockdown period of COVID-19 there has been a slow level of collection as a result customers failing to settle their debt. On assessment there delays did not have impact on the impairment of outstanding debtors as most customers are a subject of indigent verification.

Expenses

Due to increased expectation for access to better hygiene practices, water as the core service delivery mandate of the municipality, must reach communities at an increased volumes

Therefore intervention through grant reprioritisation is seen as the solution. The diverting of grants for capital projects to support operations and operation expenditure. This has a possibilities of sustained expectation.

Assets

There is no indication that an impairment loss has been incurred on assets due to the economic impact of COVID -19 crisis on customers and businesses.

Liabilities

There are no promises, commitments or obligations that have been made that requires to determine whether a liability exist at the reporting date or whether disclosure is needed in the notes to the financial statement.

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 municipality's 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 established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities.

Capital risk management

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

Gearing ratio

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

44. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 3 715 227 377 and that the municipality's total assets exceed its liabilities by R 3 715 227 377.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

44. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

- The municipality is operating at a net asset position.
- There are no fixed term borrowings.
- There is no indication of withdrawals of support from creditors.
- The Municipality is not operating at an overdraft facility.
- The current ratio (CA/CL) is 0,3:1. However included in this calculation is retention of R 49 454 304 which is dependent on the future grant receipts and R 211 755 994 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.
- The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.
- The municipality is still able to pay its creditors as they become due.
- National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.
- There is no labour difficulties that will render the Municipality dysfunctional.
- There are no material pending legal claims that may render municipality dysfunctional.
- There are no legal changes in law or regulation or government policy that may result in the liquidation of the municipality.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 922 740	2 036 248
Amount paid - current year	(1 922 740)	(2 036 248)
	-	-

Audit fees

Current year subscription / fee	3 549 230	3 283 768
Amount paid - current year	(3 549 230)	(3 283 768)
	-	-

PAYE and UIF

Current year subscription / fee	32 049 263	28 112 131
Amount paid - current year	(32 049 263)	(28 112 131)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	45 111 005	40 124 604
Amount paid - current year	(45 111 005)	(40 124 604)
	-	-

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr T K Mkhize	3 355	1 448	4 803
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr T K Mkhize	1 988	0	1 988

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

46. Budget differences

Material differences between budget and actual amounts

The material difference between approved budget and actual result are the consequence of activities during the financial period. For details on the comparatives please refer to the annual report.

Notes to the Annual Financial Statements

	2020 R	2019 R

46. Budget differences (continued)

Differences between budget and actual amounts are basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Variance is calculated by subtracting actual expenditure from budget

Annual Financial Statements for the year ended 30 June 2020

	2020	2019
	R	R

Details	Budget	Actual	Variance	%	Comments
Services charges	-	37 633 180	17 130 181	69 %	Delayed project on meter installation
Investments revenue	9 000 000	4 759 511	4 240 489	53 %	This depends on the availability of funds that were not immediately required
Transfers recognised	988 602 000	977 652 000	10 950 000	99 %	Withdrawal of a Grant
Rental of facilities	180 000	159 359	(20 641)	-	
Fines and penalties	90 000	3 874	(86 126)	-	
Other income	2 350 830	1 124 284	1 226 546	48	This is based on the new tender document tariff
Employee related costs	(200 218 483)	(208 933 659)	8 715 176	104 %	Increase on shift, standby allowance and overtime claims
Remuneration of councillors	(7 939 592)	(8 371 666)	432 074	105 %	Increase on travelling claims
Provision for employee benefits	-	(10 616 861)	10 616 861	-	Contribution in accordance with actuarial assessment
Debt impairment	(2 294 078)	(15 905 124)	13 611 046	693 %	Based on the actual debtors at year end
Depreciation	(767 605)	(76 146 250)	(75 367 748)	9 920 %	Based on assets in use, due to delays in projects under work in progress
Collection costs	-	96 034	(96 034)	-	
Materials and Bulk purchases	(37 171 078)	(31 761 204)	(4 815 242)	85 %	Reclassification of expenditure
Lease rental on operation lease	-	(223 509)	1 699 888	-	
Transfers and grants	(6 667 386)	(6 939 481)	272 095	104 %	Due to increase in poverty alleviation expenditure
Contracted services	(213 914 267)	(241 488 146)	26 928 664	-	Increase due to water tankering expenditure
General expenditure	(92 106 702)	(98 861 807)	6 755 105	107 %	includes a portion of assets not qualifying to be capitalised

Zululand District Municipality
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R	
46. Budget differences (continued)			
Capital : Grants			
	(493 907 000)	(410 491 853)	(83 415 147)
	-	(88 311 318)	(61 222 813)
			83 %
			Capital grants have been fully spent as gazetted excluding VAT
Changes from the approved budget to the final budget			
The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details refer to annual report.			
47. Fruitless and wasteful expenditure			
Opening balance as previously reported			
Opening balance as restated			
Add: Expenditure identified - current			
Less: Amount written off - current			
Closing balance			
		1 623 649	420 411
		1 623 649	420 411
		74 013	1 333 903
		(289 746)	(130 665)
		1 407 916	1 623 649
48. Irregular expenditure			
Opening balance as previously reported			
Opening balance as restated			
Add: Irregular Expenditure - current			
Add: Irregular Expenditure - prior period due to multi year projects			
Less: Amount written off - prior period			
Written-off			
Closing balance			
	157 966 172	307 909 374	
	157 966 172	307 909 374	
	35 711 449	123 776 198	
	151 465 748	-	
	(151 465 748)	-	
	(157 966 172)	(273 719 400)	
	35 711 449	157 966 172	

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

		2020 R	2019 R
48. Irregular expenditure (continued)			
Incidents/cases identified in the current year include those listed below:			
	Disciplinary steps taken/criminal proceedings		
Non-compliance MSCMR	29 532 884	150 820 634	
Non-compliance PPR-2017	-	1 261 641	
Non-compliance SCM policy	5 102 682	5 883 897	
	34 635 566	157 966 172	
49. Water Losses			
		48 276 358	14 348 786
50. Report on approved deviation			
		30 010 744	21 835 177

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020	2019
	R	R

51. Related parties

Relationships

Accounting Officer

Shareholder with significant influence

Refer to accounting officer's report note

Zululand Development Agency (dissolved in May 2020)

Zululand District Municipality
Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

51. Related parties (continued)

Remuneration of management

Management class: Board members

2020

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Cllr T.D. Buthelezi	527 040	366 809	40 800	934 649
Cllr M.N. Kunene	282 465	149 742	40 800	473 007
Cllr B.J. Mkwango	531 743	177 248	40 800	749 791
Executive committee Members	1 777 558	937 688	163 200	2 878 446
	3 118 806	1 631 487	285 600	5 035 893

Management class: Executive management

2020

Name	Basic salary	Other short-term employee benefits	Other benefits received	Total
Z W Mcineka	1 432 652	32 460	338 002	1 803 114
R N Hlongwa	1 082 283	1 896	245 899	1 330 078
B P Mnguni	1 281 527	42 162	230 220	1 553 909
J Jordaan	481 945	102 969	8 691	593 605
M P Manqele	1 082 283	1 897	245 898	1 330 078
S P Mosia	1 032 768	61 616	245 989	1 340 373
	6 393 458	243 000	1 314 699	7 951 157

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Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R

52. Events after the reporting date

The municipal manager resigned during September 2020. This is identified as material since the postponing of financial statement submission due date resulted in acting accounting officer being the one signing the financial statements after reporting date.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification

The Reclassification is as a result of implementation of Municipal Standard Charts of Accounts (mSCOA). The reclassification was done to achieve fair presentation of financial statements.

Statement of Financial Position

Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets				
Current Assets				
Cash and cash equivalents	12 478 331	-	-	12 478 331
Receivables from exchange transactions	17 601 411	-	-	17 601 411
Other receivables from non-exchange transactions	2 415 980	-	-	2 415 980
Receivables from non-exchange transactions	5 761 332	-	-	5 761 332
Inventories	2 133 781	-	-	2 133 781
Other receivables from non-exchange transaction	1 152 606	-	-	1 152 606
VAT receivable	14 089 565	-	-	14 089 565
	55 633 006	-	-	55 633 006
Non-Current Assets				
Property, plant and equipment	3 595 002 450	-	-	3 595 002 450
Intangible assets	34 244	-	-	34 244
Heritage assets	1 212 635	-	-	1 212 635
Other receivables from non-exchange transactions	14 644 481	-	-	14 644 481
	3 610 893 810	-	-	3 610 893 810
Total Assets	3 666 526 816	-	-	3 666 526 816
Liabilities				
Current Liabilities				
Payables from exchange transactions	198 731 253	7 673 686	-	206 404 939
Employee benefit obligation (Post retirement-Medical aid)	-	369 000	-	369 000
Consumer deposits	3 617 293	-	-	3 617 293
Employee benefit Obligation (Long service award)	-	1 125 000	-	1 125 000
Payables from non-exchange	81 872	-	-	81 872
	202 430 418	9 167 686	-	211 598 104
Non-Current Liabilities				
Employee benefit obligation (Post retirement-Medical aid)	37 224 000	(11 243 000)	-	25 981 000
Employee benefit Obligation (Long service award)	-	9 749 000	-	9 749 000
Rental deposits held	2 420	(2 420)	-	-
Payables from exchange transaction	34 512 708	-	-	34 512 708
	71 739 128	(1 496 420)	-	70 242 708
Total Liabilities	274 169 546	7 671 266	-	281 840 812
Net Assets	3 392 357 270	(7 671 266)	-	3 384 686 004
Net Assets				
Accumulated surplus	3 392 357 270	(7 671 276)	-	3 384 685 994

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

53.1 Payables from exchange transactions

Balance previously reported	198 731 253
Prior period payables adjustment	7 673 686
	<u>206 404 939</u>

There was an overstatement of payables with R78 013 and a correction has been made. Also there were payments belonging to the 2018/2019 financial year incorrectly allocated in the 2019/2020 financial year, an adjustment to prior year payables has been made.

53.2 Employee benefit Obligation (Long service award)

Current long service bonus	<u>1 125 000</u>

Current portion long service bonus provision transferred from non current liabilities

53.3 Employee benefit obligation (Post retirement-Medical aid)

Transfer current portion from employee benefit obligation	<u>369 000</u>

Transfer current portion of employee benefit obligation to current liabilities

53.4 Employee benefit Obligation (Long service award)

Transfer from employee benefit obligation	<u>9 749 000</u>

Non current Long service bonus portion

53.5 Employee benefit obligation (Post retirement-Medical aid)

Balance previously reported	37 224 000
Transfers to non-current provision long service bonus	(9 749 000)
Transfer to current employee benefit obligation	(369 000)
Transfer to current provision long service bonus	(1 125 000)
	<u>25 981 000</u>

Transfer current employee benefit, Transfer long service bonus

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

Statement of Financial Performance

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from exchange transactions					
Service charges		33 512 747	-	-	33 512 747
Rental of facilities and equipment		155 504	-	-	155 504
Other operating revenue		1 718 201	-	-	1 718 201
Investment revenue		7 802 779	-	-	7 802 779
Total revenue from exchange transactions		43 189 231	-	-	43 189 231
Revenue from non-exchange transactions					
Taxation revenue					
Interest, Dividends and Rent on Land		40 391	-	-	40 391
Transfer revenue					
Government grants & subsidies		876 889 951	-	-	876 889 951
Fines, Penalties and Forfeits		12 167	-	-	12 167
Total revenue from non-exchange transactions		876 942 509	-	-	876 942 509
Total revenue		920 131 740	-	-	920 131 740
Expenditure					
Employee related costs		(196 964 559)	-	-	(196 964 559)
Remuneration of councillors		(8 088 737)	-	-	(8 088 737)
Employee benefit		(4 712 000)	-	-	(4 712 000)
Depreciation and amortisation		(63 734 104)	-	-	(63 734 104)
Debt impairment		(14 807 435)	-	-	(14 807 435)
Collection costs		(836 804)	181 723	-	(1 018 527)
Inventory consumed		(10 698 839)	-	-	(10 698 839)
Bulk purchases		(32 058 798)	-	-	(32 058 798)
Contracted services		(201 797 557)	(4 938 780)	560 607	(206 097 718)
Transfers and subsidies		(1 442 818)	(109 595)	(1 438 269)	(2 990 682)
Lease rental		(1 474 565)	(28 069)	1 061 479	(441 156)
General Expenses		(91 205 708)	(2 491 112)	(183 817)	(93 880 635)
Total expenditure		(627 821 924)	(7 749 279)	-	(635 493 190)
Gain from non exchange transactions		-	11 764 579	-	11 764 579
Surplus for the year		292 309 816	4 015 300	-	296 403 129

Rental Deposit Held

Balance previously reported

Reclassify: Creditors

2 420	-
(2 420)	-
-	-

The balance is the reclassification to transfer non- current liability to current

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

53. Prior period errors/Reclassification (continued)

Lease rentals on operating lease

Balance previously reported	-	(1 474 565)
Reclassification to contracted services	-	877 662
Reclassification to General expenses	-	183 817
Reclassification from current to previous	-	(28 069)
	-	<u>(441 155)</u>

Reclassification to contracted services, reclassification to general expenses, Reclassification from current to previous

53.6 Contracted services

Balance previously reported	(201 797 557)
Reclassification to transfers and subsidies	1 438 269
Reclassification from operating lease	(877 662)
Reclassification from current to previous	(4 938 780)
Prior period adjustment - creditors	78 012
	<u>(206 097 718)</u>

Comparative discloser for the municipal contribution to Zululand Development Agency, Reclassification to transfers and subsidies, reclassification from operating lease, Prior period adjustment - creditors

53.7 'Grants and subsidies paid

Balance previously reported	(1 442 818)
Reclassification from contracted services	(1 438 269)
Reclassification from current to previous	(109 595)
	<u>(2 990 682)</u>

Comparative discloser for the municipal contribution to Zululand Development Agency, Reclassification from contracted services, Reclassification from current to previous

53.8 General Expenses

Balance previously reported	(91 205 708)
Reclassification from operating leases	(183 817)
Reclassification from current to previous	(2 491 110)
	<u>(93 880 635)</u>

Reclassification from operating leases, Reclassification from current to previous.

Zululand District Municipality
Zululand District Municipality
Appendix B
June 2020

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	470 000	-	-	-	-	-	470 000	-	-	-	-	-	-	470 000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	45 445 591	-	-	-	-	-	45 445 591	(13 548 693)	-	-	(1 256 705)	-	(14 807 388)	30 638 203
	45 915 591	-	-	-	-	-	45 915 591	(13 548 693)	-	-	(1 256 705)	-	(14 807 388)	31 108 203
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	215 221 810	-	-	-	-	-	215 221 810	(30 926 001)	-	-	(3 436 316)	-	(34 362 317)	180 859 493
Water purification	278 930 699	-	-	-	-	-	278 930 699	(36 125 540)	-	-	(5 670 598)	-	(41 796 138)	237 134 561
Reticulation	1 339 235 027	-	-	-	-	-	1 339 235 027	(198 311 450)	-	-	(31 944 792)	-	(230 256 242)	1 108 978 785
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	55 391 761	-	-	-	-	-	55 391 761	(18 310 142)	-	-	(1 694 148)	-	(20 004 290)	35 387 471
Housing	24 812 868	-	-	-	-	-	24 812 868	(3 640 343)	-	-	(1 219 498)	-	(4 859 639)	19 453 029
Waste Management	95 159 301	-	-	-	-	-	95 159 301	(11 192 932)	-	-	(1 728 141)	-	(12 921 073)	82 238 228
WIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI Infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	144 333 122	5 410	-	-	-	-	144 338 532	(34 492 078)	-	-	(3 545 147)	-	(38 037 225)	106 301 307
	2 162 684 688	5 410	-	-	-	-	2 162 689 998	(332 888 488)	-	-	(49 238 638)	-	(382 237 124)	1 770 362 874
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 028 187
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 028 187

Zululand District Municipality
Zululand District Municipality
Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	41 292 214	-	-	-	-	-	41 292 214	(29 164 101)	-	-	(3 702 286)	-	(32 866 397)	8 425 817
Plant & equipment	5 226 228	504 552	-	-	-	-	5 730 780	(2 769 517)	-	-	(408 359)	-	(3 177 876)	2 048 352
Computer Equipment	4 590 253	-	-	-	-	-	4 590 253	(3 443 760)	-	-	(573 946)	-	(4 017 706)	1 077 099
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 955 826	28 143	-	-	-	-	1 983 969	(1 032 114)	-	-	(257 329)	-	(1 228 443)	695 526
Office Equipment	2 466 184	-	-	-	-	-	2 466 184	(2 126 038)	-	-	(144 815)	-	(2 270 853)	195 331
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	256 419	72 000	-	-	-	-	328 419	(110 568)	-	-	(65 284)	-	(175 862)	152 567
Airports	139 475	-	-	-	-	-	139 475	(138 332)	-	-	(1 143)	-	(139 475)	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	30 245	-	-	-	-	-	30 245	(4 654)	-	-	(2 523)	-	(7 177)	23 068
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	52 945	-	-	-	-	-	52 945	(27 449)	-	-	(2 608)	-	(30 057)	22 888
Total	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 168 309)	-	(43 974 836)	12 640 648

Zululand District Municipality
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Appendix B

June 2020

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	45 915 591	-	-	-	-	-	45 915 591	(13 548 693)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure	2 152 584 588	5 410	-	-	-	-	2 152 589 998	(332 988 486)	-	-	(49 238 638)	-	(382 237 124)	1 770 352 874
Community Assets	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 158 303)	-	(43 974 836)	12 640 648
	2 269 443 348	611 105	-	(4 965 844)	-	-	2 265 088 609	(389 268 609)	1 320 009	-	(56 019 197)	-	(443 957 897)	1 821 130 912
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	45 915 591	-	-	-	-	-	45 915 591	(13 548 693)	-	-	(1 258 705)	-	(14 807 388)	31 108 203
Infrastructure	2 152 584 588	5 410	-	-	-	-	2 152 589 998	(332 988 486)	-	-	(49 238 638)	-	(382 237 124)	1 770 352 874
Community Assets	14 933 380	-	-	(4 965 844)	-	-	9 967 536	(3 894 807)	1 320 009	-	(363 551)	-	(2 938 349)	7 029 187
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	56 009 789	605 695	-	-	-	-	56 615 484	(38 816 533)	-	-	(5 158 303)	-	(43 974 836)	12 640 648
Agricultural/Biological assets	887 713	-	-	-	-	-	887 713	(593 723)	-	-	(146 169)	-	(739 892)	147 821
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 270 331 061	611 105	-	(4 965 844)	-	-	2 265 976 322	(389 862 232)	1 320 009	-	(56 165 366)	-	(444 697 589)	1 821 278 733

**Zululand District Municipality
Zululand District Municipality
Appendix B**

**Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Zululand District Municipality
Zululand District Municipality
Appendix B
June 2020

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings														
Other														
Specialised vehicles														
Refuse														
Fire														
Conservancy														
Ambulances														
Buses														
Other assets														
General vehicles														
Plant & equipment														
Computer Equipment														
Computer Software (part of computer equipment)														
Furniture & Fittings														
Office Equipment														
Office Equipment - Leased														
Abattoirs														
Markets														
Airports														
Security measures														
Civic land and buildings														
Other buildings														
Other land														
Bins and Containers														
Work in progress														
Other														
Other Assets - Leased														
Surplus Assets - (Investment or Inventory)														
Housing development														
Other														

Zululand District Municipality
Zululand District Municipality
Appendix B
June 2020

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Infrastructure	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Community Assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Heritage assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Specialised vehicles	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Other assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Agricultural/Biological assets														
Agricultural														
Biological assets														
Intangible assets														
Computers - software & programming														
Other														
Investment properties														
Investment property														
Total														
Land and buildings	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Infrastructure	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Community Assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Heritage assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Specialised vehicles	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Other assets	1 232 000	1 232 000					1 232 000	1 232 000						1 232 000
Agricultural/Biological assets														
Intangible assets														
Investment properties														

June 2020

Accumulated Depreciation

Municipal Owned Entities

Municipality
Municipal Owned Entities

Segmental analysis of property, plant and equipment as at 30 June 2018

Accumulated Depreciation													
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(699 852)	-	1 667	(120 803)	-	-	-	(76 113)	(1 660)	(77 240)	(196 043)

Zululand District Municipality
Appendix D
June 2020

	Prior Year	Current Year
Segmental Statement of Financial Performance for the year ended		

[illegible]

B. REPORT AND OPINION OF THE AUDITOR GENERAL

This is the audit opinion for the 2019/20 financial year issued by AGSA.

Zululand District Municipality

**Audit report for the year
ending 30 June 2020**

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Zululand District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effect of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Zululand District Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2019 (Act No. 16 of 2019) (Dora).

Basis for qualified opinion

Revenue from service charge from exchange transactions

3. The municipality did not properly account for revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Service charge revenue was not based on accurate consumption and reasonable estimations. I was unable to determine the impact on the revenue from service charges and trade receivables as it was impracticable to do so. In addition, I was unable to obtain sufficient and appropriate audit evidence for revenue and receivables because the estimated interim charge on metered and unmetered records were inaccurate and I was unable to confirm the service charges and trade receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to revenue from service charges stated at R37,63 million (2018-19: R33,51 million) in note 21 and to the related receivables from exchange transactions stated at R22,89 million (2018-19: R17,60 million) in note 4 to the financial statements.

Water losses

4. I was unable to obtain sufficient appropriate audit evidence for water losses. This was due to inadequate systems and processes for the monitoring and recording of these losses. I could not confirm the disclosed water losses through alternative means. Consequently, I was unable to determine whether any adjustments were necessary relating to the water losses stated at R48,28 million (2018-19: R14,35 million) in note 49 to the financial statements.

Context for the opinion

5. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
6. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Restatement of corresponding figures

9. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipality, at and for the year ended, 30 June 2020.

Other matter

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.

14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

17. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for the selected objective presented in the annual performance report.
18. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the infrastructure and services objective presented on pages xx to xx of the annual performance report of the municipality for the year ended 30 June 2020.
19. The material finding in respect of the usefulness and reliability of the selected objective is as follows:

KPA 2: Infrastructure and services

Various Indicators

20. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of various indicators below. This was due to a lack of proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the following indicators:

KPI number	Indicator description	Reported achievement
6	Percentage of households with access to basic level of water (Reticulation-new household connections)	298%
7	Percentage of households with access to basic level of sanitation as per WSDP	63%
8	Percentage of households earning less than R1 600 pm with access to free basic sanitation	63%
9	Percentage of households earning less than R1 600 pm with access to free water (Note: Rudimentary)	0%

Other matter

21. I draw attention to the matter below.

Achievement of planned targets

22. The annual performance report on pages xx to xx sets out the information on the achievement of planned targets for the year. This information should be considered in the context of the material finding on the usefulness and reliability of the reported performance information in paragraph 20 of this report.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, non-current liabilities, other income, revenue and receivables from non-exchange transactions and disclosure notes identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and the supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Procurement and contract management

26. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
27. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
28. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
29. Some of the contracts were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by section 62(1)(a) of the MFMA.

Expenditure management

30. Reasonable steps were not taken to prevent irregular expenditure amounting to R35,71 million as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by a competitive bidding process not being followed.

Revenue management

- 31. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
- 32. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

- 33. The performance management system and related controls were inadequate as it did not specifically describe how the performance measurement processes should be conducted, as required by municipal planning and performance management regulation 7(1).

Other Information

- 34. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.
- 35. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 36. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 37. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

- 38. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

39. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with legislation. The accounting officer did not adequately implement policies and procedures to support the achievement of credible financial and performance reporting and compliance with legislative requirements.
40. Management did not diligently undertake routine monthly reconciliations and reviews, to support amounts reported in the financial statements and the annual performance report. This was due to management not fully understanding the requirements of the financial and performance reporting frameworks as well as poor records management.

Other reports

41. I draw attention to the following engagements which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
42. An independent consultant investigated an allegation of procurement irregularities at the request of the municipality, which covered the period 1 July 2017 to 30 June 2018. The investigation was concluded in January 2020 and resulted in criminal proceedings against three employees. These proceedings were in progress at the date of this auditor's report.
43. The MEC for Co-operative Governance and Traditional Affairs commissioned an independent consulting firm to investigate allegations of maladministration, fraud and corruption at the municipality, which covered the period 1 July 2017 to 30 June 2018. The investigation was conducted in terms of section 106(1)(b) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000). The municipality applied to the courts for a review of the report. These proceedings were still in progress at the date of this report.

Auditor General

Pietermaritzburg

28 February 2021



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for the selected objective and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit 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
 - evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Zululand District Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, the actions taken to eliminate threats or the safeguards applied



ZULULAND DISTRICT MUNICIPALITY



This report is prepared according to section 46 of the Municipal Systems Act. The report forms part of the annual report of the Zululand District Municipality



ANNUAL PERFORMANCE REPORT

ANNUAL PERFORMANCE
REPORT

(2019-2020)

2019 / 2020

FINANCIAL YEAR

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APPROVAL OF THE REPORT

This is to certify that this Annual Performance Report for the 2019/20 Financial Year has been prepared in accordance with the Municipal Systems Act of 2003 and regulations made under the Act, and is recommended for approval by:

N.G Mvelase

Deputy General Manager: PMS

Date

Approved by:

S.P. Mosia

Acting Municipal Manager

Date

1. FOREWORDS BY HIS WORSHIP THE MAYOR CLLR T.D BUTHELEZI



Zululand District Municipality is proud to present this 2019/2020 Annual Performance Report to the Zululand community. The Municipality remains committed to respond to the expectations of the residents and local business fraternity by providing access to quality and affordable basic services whilst doing our utmost to maintain and improve on the existing levels of infrastructure investment.

The Covid-19 pandemic had a devastating impact on the economy of the Zululand District Municipality, health and the livelihoods of its citizens. During this crisis, the municipality had still needed to function to provide essential services to the community such as water and sanitation with very minimal resources. Besides the above-mentioned core mandate of our responsibility to provide basic service to the community the Mayor had established numerous programs as a relief during the time of pandemic such as Sethembe Food Relief Program, the purpose of the programme was to provide food relief to the Zululand District Municipality communities affected by the Corona virus pandemic and the National Lockdown. Out of this program 5010 household benefited. The Mayor had established a relationship with Transnet which was aimed to relief all the house of traditional councils throughout the district and out of this program 250 food parcels were distributed to all council members of traditional house in the whole district. The municipality had ensured that all schools are being provided with water through water tankers. During this unprecedented moment in time, it is more essential than ever that the municipal sector is able to carry out its duties towards its local communities.

Basic infrastructure is our key priority as we need to provide quality services to our community and we will strive to ensure we prioritize our people's needs and deliver according to their needs and desires. The Zululand District Municipality has a very serious challenge with the

revenue collection, since many of our debtors are indigent but we have nonetheless managed to prioritize our community needs in our spending for betterment of their lives.

Despite the challenges stated above, Zululand District Municipality is a well-functioning local government institution because of the effective, efficient, but most importantly, responsible use of its resources. Testament to this is the results of the 2016 Local Government Elections. An overwhelming majority of the residents voted for the current governing party thereby expressing their satisfaction with the level and quality of services provided by the Municipality.

The greater appreciation goes to the community, council of Zululand District municipality, Amakhosi, Executive members, the Portfolio committees of council, the municipal public accounts committee, the Audit committee, performance committee, management of the municipality and all the employees of the Zululand District municipality for the guidance, commitments, support and unity shown to achieve this kind of work because this this work cannot be carried out by a single hand.

However, the Integrated Development Plan (IDP) bears testimony to the Municipality's acknowledgement that all is not done as yet. It clearly articulates the social, economic and infrastructural needs of the Zululand community for the next year. The participation of the members of the local community in the planning processes and governance structures of the municipality is imperative for the success of this Municipality. This Annual Performance Report is testimony is proof that Municipality is moving forward in transforming the lives of the citizens of the Zululand Community.

CLLR T.D. BUTHELEZI

HONORABLE MAYOR: ZULULAND DISTRICT MUNICIPALITY

2. FORWORDS BY THE ACTING MUNICIPAL MANAGER MR S.P MOSIA



This document represents the Zululand District Municipality's detailed report on the municipality's annual performance of the 2019/20 financial year. This report therefore provides a lens through which scrutiny of the progress and performance of the municipality can be made in terms of assessing achievements in efforts to realise the objectives as set by Council. As such, this report not only reflects on milestones and challenges experienced, but also on the on-going commitment to progressively deepen accountability to the citizens of Zululand District Municipality's area.

The year under audit 2019/2020, marked various changes in the administration for Zululand District Municipality. It has been a year for us to account for our actions in terms of service delivery. For the year 2020, we were significantly challenged by the COVID 19 this resulted to the Countries lockdown which led to a lot of adjustment in the administration.

Covid-19 has forced us to have employees that are technologically inclined and systems that accommodate virtual working style, Lockdown introduced cultural transformation which mostly includes teleworking although remote work facilitates business functioning it is known to create psychological impacts on employees. Workplace interactions help employees embrace into the organizational culture and enable coordination and cooperation. Teleworking also challenged a lot of employees who are not familiar with technology and mostly other employees had connection problems therefore meetings were not successful as predicted and work was not carried out to the maximum standard. Not excluding that most of our administration had to be put on hold when employees test positive for Covid-19 therefore had to be allowed to go quarantine this hindered our overall performance as the organization.

The audit outcome for 2018/19 was not favourable to the municipality as the audit processes resulted in the Municipality receiving a qualified audit opinion from the Auditor General of

South Africa, following a succession of Unqualified reports in the previous years. This opinion has made us to strategically identify the areas where gaps have been created over the years.

Notwithstanding the audit opinion, we have still been able to deliver services to our communities and in a manner that we deem satisfactory. We have also established a compliance committee which is aimed to ensure that the municipality comply with all the relevant legislations that governs local government. The committee has also developed the compliance calendar which is monitored on a monthly basis to ensure that the municipality is green on all compliant matters.

Regardless of the situation we committed ourselves to investing more effort in executing our daily responsibilities as Zululand District Municipality to ensure that our performance is of great standard and that we remain as one of the quickest developing District Municipality which is appealing to investors.

I would like to thank all the stakeholder of Zululand District Municipality for their continuous support, patience and support during this challenging time, this includes among others the community at large, the Mayor, leadership of the municipality, sector departments, all Senior Managers of the municipality, the last but not least the employees of Zululand District Municipality for their amazing support and dedication towards achieving the goal of the municipality to improve the service delivery on our community. I would like to thank everyone who was direct or indirectly involved in supporting the Zululand District Municipality. May God Bless you all and your loved ones.

MR. S.P. MOSIA

ACTING MUNICIPAL MANAGER

3. EXECUTIVE SUMMARY

Performance Management System is a strategic approach to management. It is a process which measures the implementation of the organisation's development and growth strategy. It equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques for regularly planning, continuously monitoring, and periodically measuring and reviewing the performance of the Municipality in terms of indicators and targets for efficiency, effectiveness and economy.

Performance Management System is aimed at ensuring that Municipality's monitor their Integrated Development Plan's and continuously improve their operations and in terms of Section 19 of the Local Government: Municipal Structures Act No. 117 of 1998 that they annually review their overall performance in achieving their constitutional objectives.

An effective Performance Management System is an instrument that ensures the fruitful realisation of the Municipality's Integrated Development Plan (IDP) through an effective and efficient implementation of the Annual Budget and the Service Delivery Implementation Plan (SDBIP).

This Annual Performance Report of Zululand District Municipality summarises the achievements and the non-achievements by the Municipality in ensuring that service delivery takes place and that there is pecuniary activity and alteration within the Zululand community. The Municipality remains accurate to the call of responsibility to improve the lives of the residents on the Zululand community.

4. PURPOSE OF THE REPORT

The main purpose of this Annual Performance Report is to take the accountability about the performance of the municipality to the citizens of Zululand District Municipality and also provide the progress that the municipality has achieved in improving the lives of the Zululand community through service delivery. Moreover, this report is the most important tool to the Zululand communities and other stakeholders in assessing its performance and also evaluating

how the municipality has performed throughout the financial year ended in June 2020 and also in keeping with the principles of transparency and accountability of government to the citizens. This report subscribes to the South African developmental nature of participatory democracy and co-operative governance and responds to the principles of the constitution, Batho Pele, white paper on local government, Municipality Systems Act and Municipal Financial management Act.

5. METHODOLOGY

The provision of the Municipal Systems Act (No. 32 of 2000) stipulates that municipalities needs to monitor and measure the progress of their performance by preparing quarterly and mid-year reports, as required in terms of chapter 9 of the Municipal Systems Act on performance management system. These quarterly and mid-year reports constitute the municipality's annual performance reports as required in terms of section 46 of the Municipal Systems Act. These reports are submitted to the Auditor General of South Africa, conjunction with the Annual Financial Statements for the purpose of auditing. After the council of the municipality has adopted the audited performance report as part of the Annual Report it must then be submitted to the Department of Co-operative Governance and Traditional Affairs, National and Provincial Treasury, Auditor General and other relevant stakeholders

6. LEGISLATIVE MANDATE

6.1 The Constitution of the Republic of South Africa, Act 108 of 1996:

Section 152(1) of the Constitution prescribes that the objects of local government are:

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organizations in the matters of local government.

Section (152) (2) further states that:

“A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)”

6.2 Municipal Systems Act (Act No 32 of 2000)

Chapter 6 of the Municipal Systems Act, and specifically Sections 38 to 49, deal with organizational performance management. These legislative mandates require of all municipalities to:

- Development of a performance management system;
- Monitoring and review of performance management system;
- Setting of key performance indicators and performance targets,
- Publish an annual report on performance for the benefit of the communities served by the Municipality;
- Incorporate and report on a set of general key performance indicators prescribed nationally by the Minister responsible for local government;
- Auditing of performance measurement both internally and externally;
- Annual reporting on performance.

Chapter 7 of the Municipal Systems Act deals with local public administration and human resources. In particular, section 57 of this Chapter requires that the Municipal Manager and those officials reporting directly to the Municipal Manager (i.e Section 57 employees) sign annual performance agreements. An individual performance plan must be attached to the performance agreement and it must include a set of performance measures that will enable actual performance of individuals to be assessed against planned performance.

6.3 Local Government: Municipal Planning and Performance Management Regulations, 2001

These Regulations were passed by the Minister responsible for local government in terms of Section 49 of the Municipal Systems Act. These Regulations spell out the performance management responsibilities of municipalities in more detail. They deal with:

- The nature of the PMS;
- The adoption of the PMS;
- The setting of key performance indicators;
- The general key performance indicators published by the Minister, which reflect the object of developmental local government;
- The review of key performance indicators;
- Setting of performance targets;
- Monitoring, measurement and review of performance;
- Internal auditing of performance measurements; and
- Community participation.

The regulations further instruct a 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;
- A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

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

6.4 Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006:

These regulations prescribe how the performance of municipal managers and managers' directly accountable to municipal managers must be directed, monitored and improved. The regulations include the following:

- (i) Chapter 2: requirements and provisions of employment contracts;
- (ii) Chapter 3: performance agreements, including prescribed key performance areas (KPA's) and core competency requirements (CCR's);
- (iii) Chapter 4: the content of a job description for municipal managers.

6.5 Municipal Finance Management Act.

In terms of Section 53 (1) of the Municipal Finance Management Act of 2003 (MFMA), the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

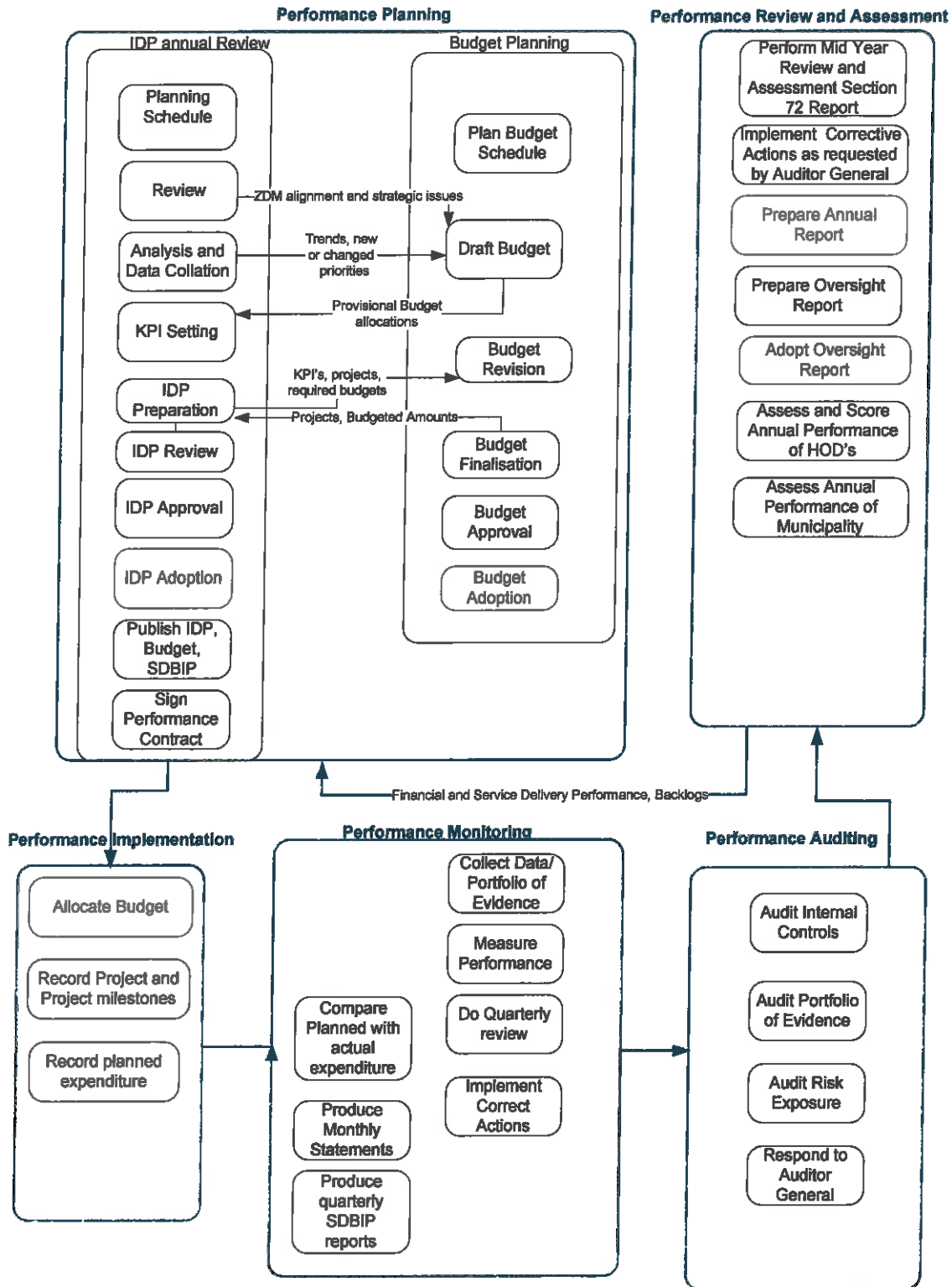
Annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act for the Municipal Manager and all Senior Managers must also be concluded and

they must be linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan.

The Service Delivery Budget Implementation Plan (SDBIP) and these performance agreements therefore give effect to the Integrated Development Plan (IDP) and budget of the municipality in ensuring that the execution of the budget, performance of senior management and achievement of the strategic objectives set by the Council are monitored.

The MFMA stipulates general responsibilities of Mayors. Section 52 (d) of the Act requires that a Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.

7. PERFORMANCE MANAGEMENT PROCESS OVERVIEW



8. PERFORMANCE AND SUPPORTING INFORMATION

This section of the report highlights the overall performance of Zululand District Municipality for the financial year 2019/2020 ending in 30 June 2020 making references to the supporting portfolio of evidence which is encompassed on the Zululand District Municipality scorecard.

The report of performance management system of Zululand District Municipality has incorporated all Six (6) National Key Performance Areas and it is inline with the requirements of the Municipal Systems Act of 2000, Section 46 and therefore: reflects the performance of the municipality for the financial year under review, comparison to performance of previous financial years, reasons for variances for all Key Performance Indicators not achieved are stated on the report and lastly the corrective actions to improve performance in the Zululand District Municipality are stated on this report.

9. BACKGROUND TO MUNICIPAL SCORECARD

The Municipal Scorecard **Annexure 1** approach reflects the 6 national KPA's and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on measures included within the Municipal Scorecard. This incorporates 49 priority measures selected from the IDP. The criteria used reflect factors such as previous performance levels, comparative performance and budget implications. These were agreed by Council on 30 June 2019. These targets were reviewed and updated at Council meeting on 30 June 2019.

10. ANNUAL ORGANISATIONAL PERFORMANCE INFORMATION

Performance monitoring underpins the implementation of the municipal Integrated Development Plan by reviewing performance targets on a regular basis to identify underperformance in order to implement remedial action timeously so that targets are achieved and value for money is easily identified in the service provided to the community.

Performance targets for the financial year of 2019/2020 were developed and outlined in both the departmental and organizational Scorecard that was adopted together with the IDP. During

the adjustment period the departmental and organizational Scorecard were adjusted to be in line with the adjustment budget. The adjustment was approved by Council and uploaded on the municipal website for public viewing and information.

The draft Annual Performance Report provides an illustration on how the Zululand District Municipality performed against its predetermined objectives and targets both on the departmental and the organizational scorecards. The Annual Performance Report together with the Annual Financial Statements will be submitted to the office of the Auditor General on the 30th October 2020. The summary of performance results of the organization is outlined on the table below.

10.1 Overall performance of the Municipality for 2019/2020 compared to 2018/2019 financial year.

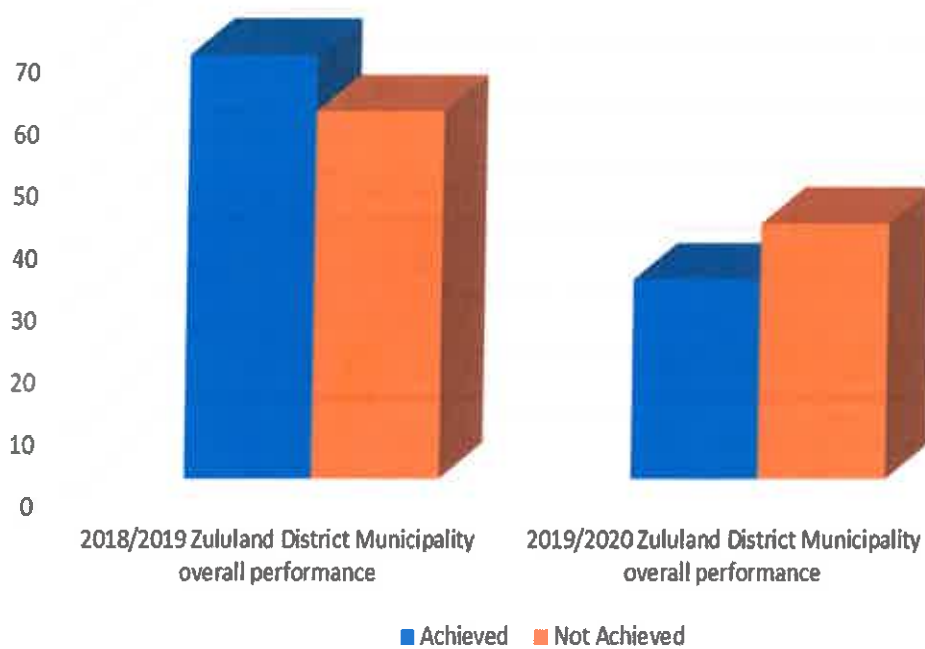
The table and the graph below illustrate the summary of overall performance of the Municipality for the financial year ending in 30 June 2020. This means that it is a tabulation of the total percentage of targets set by all directorates combined, which then gives a picture of how the Municipality has performed.

Overall, the performance of the Zululand District Municipality reverted from 68% to 59% between the 2018/19 and 2019/20 financial year.

This is the important concern with the biggest contributors being the slow pace of service delivery as contractors were suspended on sites and employees being quarantined due to corona virus pandemic, cost cutting measures, slow pace of clearing audit queries, non-implementation of workplace skills development programme and account adjustments. These will be monitored closely in the beginning of the next financial year and targets adjusted accordingly. Controls will receive particular attention in all departments of the municipality.

2018/2019		2019/2020	
Achieved	Not Achieved	Achieved	Not Achieved
68%	32%	59%	41%

Overall Performance of the Municipality for 2018/2019 and 2019/2020 financial years.

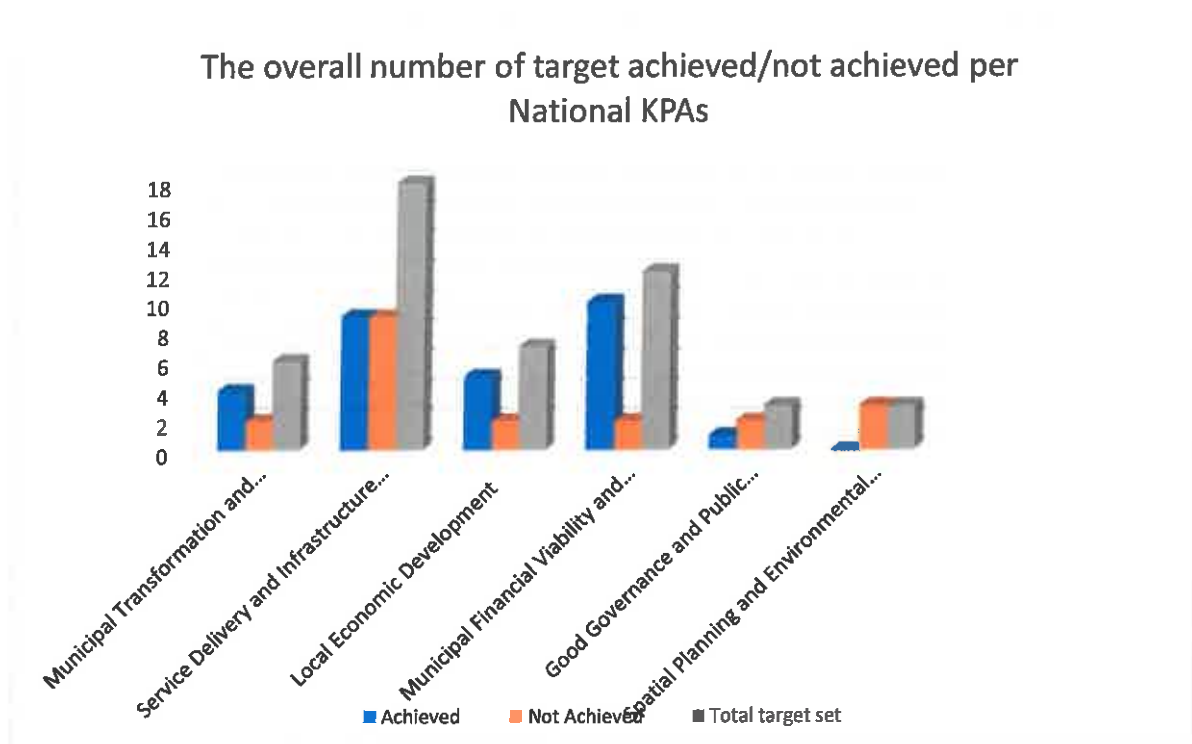


10.2 Overall performance of the Municipality for 2019/2020 financial year per National KPA.

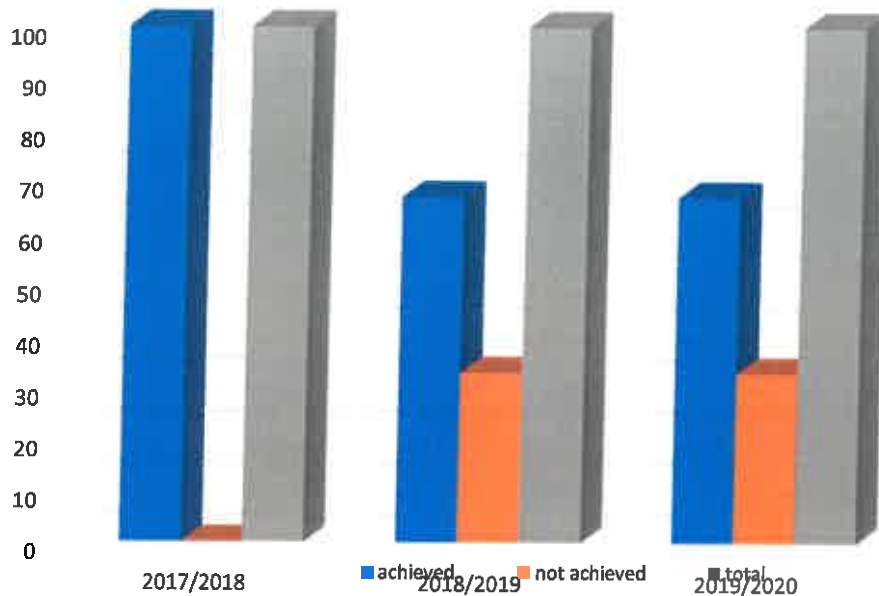
The table below illustrates the summary of overall performance of the Municipality for the financial year ending June 2020. This means that it is a tabulation of the total number of targets set for all directorates combined, which then gives a picture of how the Municipality has performed. This simple summarised that out of the total of 49 Key Performance indicators set for the municipality, the Zululand District Municipality only managed to achieve 29 key performance indicators and only 20 KPIs were not achieved. The report has indicated reasons for variance for each Key Performance Area and also the corrective actions to be implemented to improve performance have been outlined in this report per each Key Performance Area. A detailed clarification on the reasons for variance and corrective actions per KPI can be accessed on the attached annexure A which is the organisational scorecard which then will give a detailed report per each KPI that the Municipality could not achieve.

KPA	No. of Targets set for the year	No. of Targets achieved	No. of Targets not achieved
Service Delivery and Infrastructure Provision	18	9	9
Local Economic Development	7	5	2
Municipal Financial Viability and Management	12	10	2
Spatial Planning and Environmental Management	3	0	3
Municipal Transformation and Organizational Development	6	4	2
Good Governance and Public participation	3	1	2
Total	49	29	20

Graph presentation of overall the overall number the targets achieved/ not achieved per National KPA



Municipal Transformation and organisational Development



- The overall score for the KPA is 67 % for the year 2019/2020 same as 2018/2019 financial year

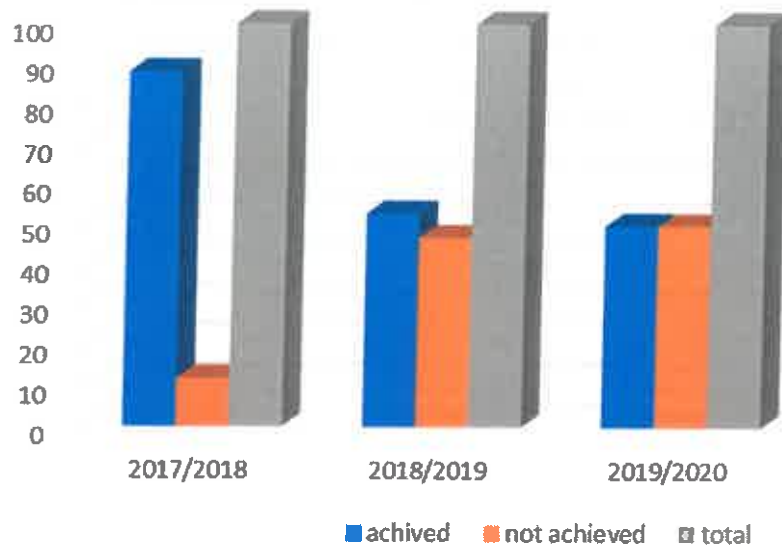
Challenges

- Due to Covid-19 corona virus pandemic the LED plan was not submitted to council and also the LLF 4th quarter meeting could not sit since members were being quarantined.

Measures Taken to Improve Performance

- The LED plan will be submitted to the first council meeting of the following financial year 2020/2021 and the LLF meeting will be held through zoom.

Basic Service Delivery and basic Infrastructure



- The overall score for the KPA is 50% for the year 2019/2020 down by 3% from 2018/2019 financial year

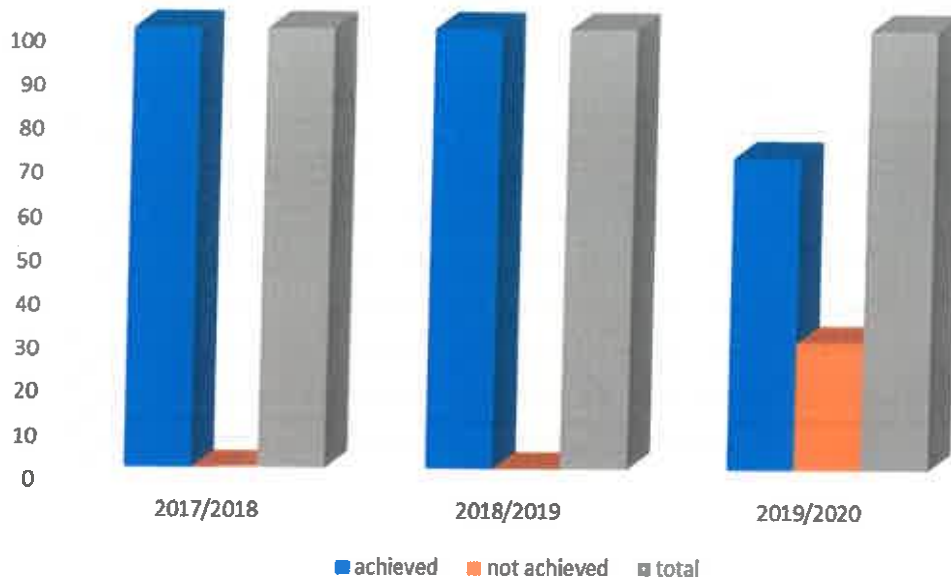
Challenges

- On the 24th of March 2020, the president of South Africa announced that the country should go under national lockdown and for that reason all contractors on sites were suspended.

Measures Taken to Improve Performance

- As soon as the contractors are permitted to get back on sites, the municipality will request all the contractors appointed by the municipality to add more plant, labour and other working equipment to ensure that the progress is fast tracked.

Local Economic and Social Development



- The overall score for the KPA is 71% for the year 2019/2020 down by 29 % from 2018/2019 financial year

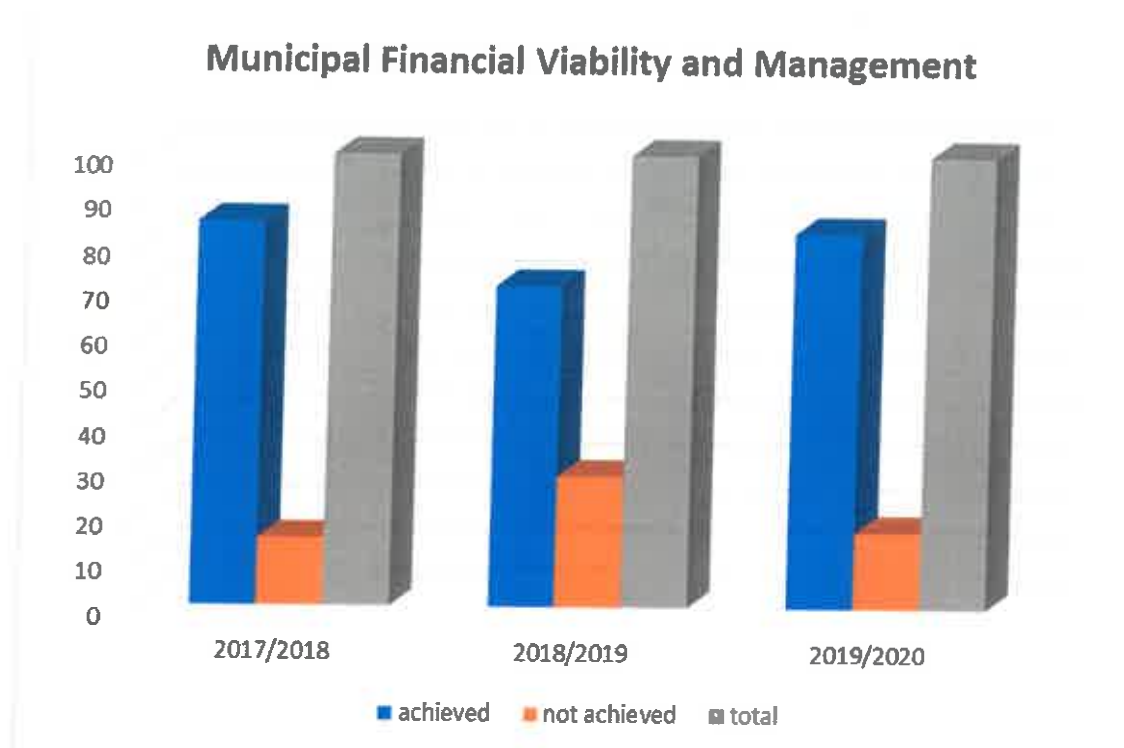
Challenges

- On the 24th of March 2020, the president of South Africa announced that the country should go under national lockdown in that regard the municipality could not be able achieve KPI number 51 as all operations were suspended so the service provider was not appointed on time.
- KPI number 55 was not budget for in this financial year, the municipality has a cashflow problem.

Measures Taken to Improve Performance

- The service provider will be appointed in 2020/2021 financial year to assist the municipality in achieving KPI number 51

- The HOD community services to ensure that KPI number 55 is budget for 2020/2021 financial year.



- The overall score for the KPA is 83 % for the year 2019/2020 up by 71 % from 2018/2019 financial year

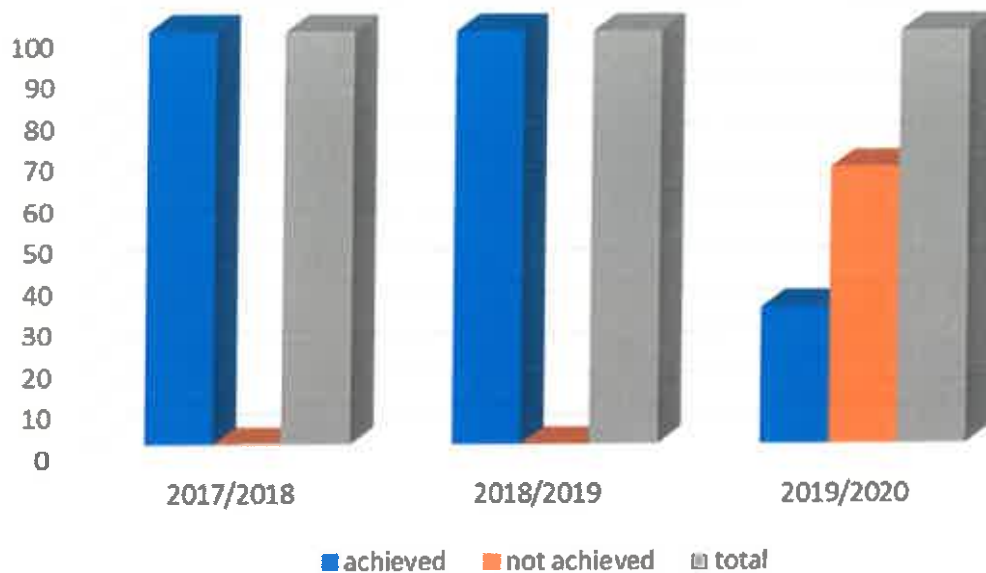
Challenges

- Monitoring of reports was lacking and cashflow problems

Measures Taken to Improve Performance

- Submission of reports to oversight committees will be monitored regularly.

Good Government and Public Participation



- The overall score for the KPA is 33 % for the year 2019/2020 down by 67 % from 2018/2019 financial year

Challenges

- Huge down fall is from the customer care system Siza report, all complaints were resolved but not closed on the Siza system due to shortage of staff in the technical department to capture all the complaints that have been resolved on sites.

Measures Taken to Improve Performance

- Add more staff to access the system so they can timeously capture all the resolved complaints on the Siza system.

Spatial Planning and Environmental Management



- The overall score for the KPA is 0 % for the year 2019/2020 new KPA for Zululand District Municipality was not applicable in 2018/2019 financial year

Challenges

- The SEMP was not implemented because the EMF was not gazette
- The SDF was not submitted to council because the service provider was not appointed on time, due to Covid-19 pandemic as all operations were suspended
- Planning and development technical forum could not sit because of the covid-19 pandemic

Measures Taken to Improve Performance

- The EMF will be gazetted in 2020/2021 financial year
- Appointment of service provider for SDF development be finalized in 2020/2021 financial year.
- Virtual meetings be held in future.

11. KEY AREAS TO NOTE

This section contains the key areas that must be noted by Zululand District Municipality.

11.1 Improved Performance

Zululand District Municipality's overall achievement has dropped due to challenges and economic instability faced by the entire Country of the Pandemic which led the Country to be on National Lockdown. The Municipality has shown stability in the Municipal Transformation and Organisational Development KPA which remained 67% for 2018/2019 and 2019/2020. Improvement was seen in the Municipal Financial Viability and Management KPA from 71% in 2018/2019 to 83% in 2019/2020.

11.2 Deteriorating Performance

The decline in Municipal performance is largely caused by the Pandemic where the Municipality could not operate on normal circumstances. The table below presents how each Key Performance Area (KPA)

KEY PERFORMANCE AREA (KPA)	2018/2019 %	2019/2020 %	INCREASE / DECLINE
Municipal Transformation and Organisational Development	67%	67%	↔
Basic Service Delivery	53%	50%	↓
Local Economic Development	71%	42%	↓
Good Governance and Public Participation	63%	33%	↓
Municipal Financial Viability and Management	71%	83%	↑

ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Example:

Assessment Key	
Good (G)	<i>The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract</i>
Satisfactory (S)	<i>The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract</i>
Poor (P)	<i>The service has been provided below acceptable standards</i>

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
Zdm007	Amalon	07/08/	Supply and	Rates			Zdm	Zdm		*	

/2020	doh constr	2019	instaallatio n of h2o distribution points				areas	areas			
Zdm 005/20 20	Phindil e civils and buildin g project s	10/10/ 2019	Drilling and testing 20 boreholes	R 115195 96			Zdm north	Zdm north	*		
zdm004 /2020	Isiphiw o trading jv thavest er	10/10/ 2019	Drilling and testing 70 boreholes	R 128105 28.50			Zdm south	Zdm south	*		
Zdm025 /2019	Egxen engine ering	08/10/ 2019	Nqulwane Ratification	R 178000 00			ZDM Nqulwa ne	ZDM Nqulwa ne		*	
Zdm018 /2019	Jade star trading	15/11/ 2019	Usuthu RWSS	R 232394 38.14			Mecha nical installa tion	Mecha nical installa tion	*		
Zdm016 /2019	Africa mayibu	16/08/ 2019	Financial recovery	R 265291			Recover y	Recover y		*	

	ye			2							
Zdm011 /2019	Magna corp	01/11/ 2009	Simdlanget sha west	R 292723 06.33			Staff acc	Staff Acc		*	
Zdm010 /2019	Counte rpoint jv charlies	10/10/ 2019	Simdlanget sha west	R 332754 21.04			Constr. Of main and abstrac tion	constra ction	*		
Zdm009 /2019	Zanam anzi	15/11/ 2019	Upgrade h2o treatment	R 289835 24.94			Upgrad e	Upgrad e	*		
Zdm008 /2019	Counte rpoint jv charlies	15/11/ 2019	Upgrade of enkonjeni h2o scheme	R 140527 92.47			Upgrad e	Upgrad e	*		
Zdm105 /2018	27 yrs roben island	23/09/ 2019	Water demand	R 314865 3.66			Manag emant	Manag ement		*	
Zdm 049/20 15	Zanam anzi	06/01/ 2020	Pumpsatati on	R 288939 37.70			Mache nical installa tion	Installa tion	*		
Zdm007 /2016	Zanam anzi	06/01/ 2020	Pumpstatio n	R 338501			Installa tion	Installa tion	*		

				49.04							
Zdm009 /2019	Thaves ter	23/12/ 2019	Upgraderet iculation	R 870264 8.46			Upgrad e	Upgrad e	*		
Zdm025 /2020	Ladum a	23/12/ 2020	Promotiona l material	R 724500			Promoti onal materia l	Promoti onal materia l	*		
Zdm012 /2020	AK Securit y	24/04/ 2020	Security services	rates			Security services	Security services	*		
Zdm013 /2020	Mseng e Protect ion	24/04/ 2020	Security services	rates			Security services	Security services	*		
Zdm014 /2020	Aros Protect ion	24/04/ 2020	Security services	rates			Security services	Security services	*		
Zdm016 /2020	zamisa nani	15/05/ 2020	1800 precast	R 136495 57.63			precast	1800	*		
Zdm017 /2020	Elda n shalom	15/05/ 2020	2200 precast	R 167590 03.36			precast	2200	*		
Zdm033	Uhaqa	17/04/	Water	rates			Portabl	Portabl	*		

/2020	ne	2020	tankers				e water	e water			
Zdm033 /2020	First works	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water			*
Zdm033 /2020	Multi solutio n	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	Kadulel e	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	Zibula ngetho kazi	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	khaben i	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		

C. AUDIT ACTION PLAN

This is the Audit Action Plan for the 2019/2020 Financial Year in response to the AGs Report for the same period.



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Final management report

Zululand District Municipality

30 June 2020

Communicated to the accounting officer on: 25 February 2021





AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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Management report

Zululand District Municipality

30 June 2020

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Management report to the accounting officer on the audit of the Zululand District Municipality for the year ended 30 June 2020

INTRODUCTION

1. The purpose of the management report is to communicate audit findings and other key audit observations to the accounting officer. The report does not constitute public information. This management report includes audit findings arising from the audit of the financial statements, performance information and compliance with legislation for the year ended 30 June 2020.
2. These findings were communicated to management. The report details management's response to these findings and includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.
3. In accordance with the terms of engagement, our responsibility in this regard is to:
 - express an opinion on the financial statements
 - express an opinion in the management report on the usefulness and reliability of the reported performance information for selected objectives, and report the material findings in the auditor's report
 - report on material findings raised on compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act 25 of 2004 (PAA).

Our engagement letter and the addendum to the engagement letter sets out our responsibilities and those of the accounting officer in detail.

4. This management report consists of the overall message arising from the audit, summary of key findings and observations, annexures containing the detailed audit findings, annexures to the report on the audit of performance information, as well as the annexure to internal control deficiencies reported.
5. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.
6. Please note that the information contained in these documents is confidential, privileged and only for the information of the intended recipient(s). It may not be used, published or redistributed without the prior written consent of the Auditor-General of South Africa (AGSA). Any form of reproduction, dissemination, copying, disclosure, modification, distribution and/or publication of this material is strictly prohibited. Should the information be used or processed in a manner that contravenes any laws in the Republic of South Africa, the AGSA is fully indemnified from liability that may arise from such contravention.
7. The figure that follows provides a pictorial summary of the audit results and our key messages on how to improve the audit outcomes, with the focus on the following:



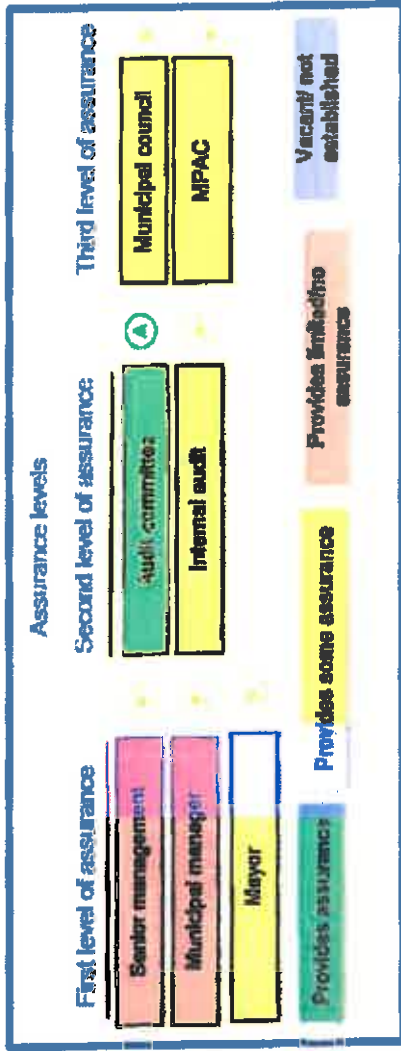
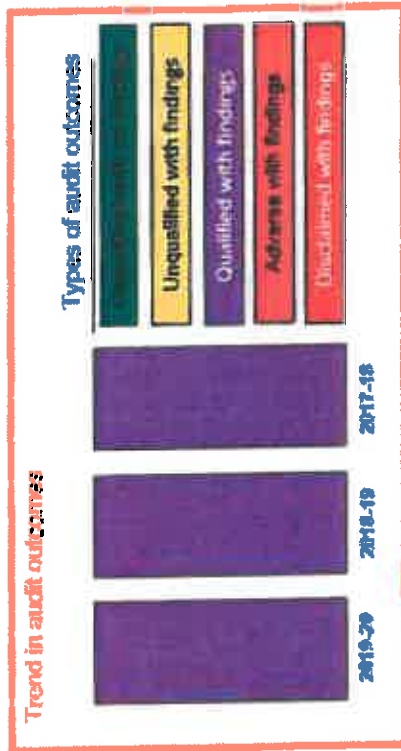
- Status of the audit outcomes
- Status of the level of assurance provided by key role players
- Status of the drivers of internal controls
- Status of risk areas
- Root causes to be addressed

Movement from the previous year is depicted as follows:

 /  Improved

 /  Unchanged / slight improvement / slight regression

 /  Regressed



To improve the **audit outcomes**

... the key role players need to ensure that ...

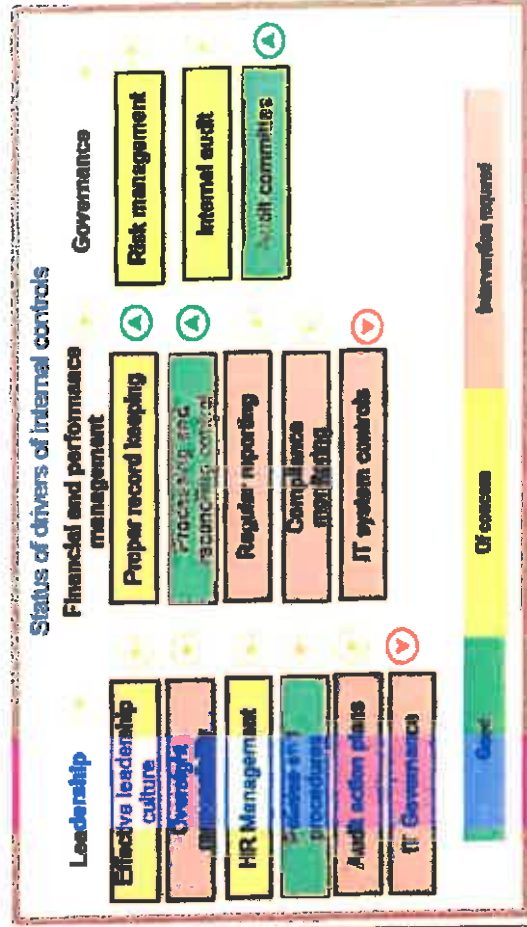
5 ... the root causes are addressed ...

4 ... the risk areas and ...

3 ... attention is given to the **key controls** and ...

Root causes should be addressed

There is slow response by management and addressing findings raised in the prior year for predetermined objectives, financial statements and compliance with legislation.



OVERALL MESSAGE

8. The audit outcomes for the municipality have remained unchanged from the previous year as most of the prior year findings were not addressed. The quality of the annual financial statements and performance reports remains a challenge in the municipality. There were also numerous compliance findings due to inadequate processes to ensure compliance with applicable laws and regulations.

SECTION 1: Interactions with stakeholders responsible for oversight and governance

9. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome and matters identified during our status of records review of the municipality:

Key stakeholder	Purpose of interaction	Number of interactions
Municipal council	Tabling 2018-19 audit outcomes	1
Municipal public accounts committee	Tabling 2018-19 audit outcomes	1
Mayor	Tabling 2018-19 audit outcomes	1
Municipal manager	Audit steering committee meetings: - 2018-19 audit outcomes - Engagement meeting - Audit Strategy meeting - Addendum to Engagement letter meeting	3
Audit committee	Audit steering committee meetings: - 2018-19 audit outcomes - Engagement meeting - Audit Strategy meeting - Audit committee meeting	3

10. At these interactions, we shared the following key matters affecting audit outcomes and the auditee:
- The audit engagement and focus areas for the 2019-20 audit
 - Audit approach to be followed with agreed upon timeframes for the audit
 - Fraud and error – enquiries in terms of ISA 240
 - The 2018-19 audit outcomes of the municipality was presented to council highlighting the requirements and areas to focus on to improve the previous years' outcomes
 - Insights of the control environment and drivers of internal control and their impact on the audit outcomes.
11. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 3, which deals with the assessment of assurance providers.



SECTION 2: Matters relating to the auditor's report

Audit of the financial statements

12. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the Municipal Finance Management Act (MFMA).
13. The misstatements that were not corrected form the basis for the qualified opinion on the financial statements.

Material misstatements (2021-2019)					
Financial statement item	Finding	Occurred in prior year	Impact R current year	Impact R previous year	
Material misstatements not corrected					
Revenue and receivables					
Revenue from exchange transactions	Consumers billed on interim amounts	Yes	37 633 180	33 512 747	
Receivables from exchange transactions	Consumers billed on interim charges	Yes	22 228 831	17 601 411	
Disclosures					
Water losses	Insufficient supporting evidence provided to substantiate the calculation of water losses	Yes	48 276 358	14 348 786	
Material misstatements corrected					
Current liabilities					
Payables from exchange transactions	Creditor Incorrectly reversed through a prior period error journal	No	9 367 511	0	

Financial statement item	Finding	Occurred in prior year	Impact R current year	Impact R previous year
Non- Current liabilities				
Payables from exchange transactions	Creditor incorrectly reversed through a prior period error journal	No	34 512 708	0
Accumulated surplus				
Accumulated Surplus	Inconsistencies in the accumulated surplus note disclosure - statement of financial performance does not agree to the surplus	No	14 731 288	0
Other Income				
Gain from transfer of functions between entities not under common control	Incorrect disclosure of assets transferred from Cogita to ZDM	No	8 359 695	11 764 579
Revenue and receivables from non-exchange transactions				
Receivables from non-exchange transactions	Receivables from non-exchange transactions overstated	No	18 154 059	0
Disclosures				
Commitments	Understatement of commitments	No	11 838 037	0
Statement of comparison of budget and actual amount	Inconsistencies between statement of comparison of actual and budget and financial statements	No	22 040 642	0
Statement of changes in net assets	Prior period error not disclosed	No	54 812 716	0
Additional disclosures	Inconsistencies in note disclosure	No	25 710 439	0

Matters to be brought to the attention of users

Emphasis of matter paragraphs

14. The following emphasis of matter paragraph will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

15. As disclosed in note 53 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of errors in the financial statements of the municipality for the year ended, 30 June 2020.

Other matter paragraphs

16. The following other matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited disclosure notes

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

Unaudited supplementary schedules

18. The supplementary information set out on pages 70 to 78 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion on them.

Audit of the annual performance report

19. In terms of the general notice issued in terms of the PAA, the opinion on the audit of reported information will be included in the management report. The report is included below to enable management and those charged with governance to see what the report will look like once it is published in the auditor's report. We will report all the audit findings included under the basis for opinion and the other matter sections of this report in the auditor's report.

Introduction and scope

20. We were engaged to undertake a reasonable assurance engagement on the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2020:



Objective	Pages in annual performance report	Opinion	Movement
KPA 2: Infrastructure and services	22 - 23	Disclaimer	

21. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements, ISAE 3000(R): *Assurance engagements other than audits or reviews of historical financial information*.
22. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPA 2 – Infrastructure and services

Disclaimer of opinion

23. We do not express an opinion on the reported performance information for Infrastructure and services of the municipality. Because of the significance of the matter described in the basis for disclaimer of opinion section of this report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the reported performance information of the development priority.

Basis for disclaimer of opinion

Various indicators

24. We were unable to obtain sufficient appropriate audit evidence to support the reported achievement of various targets. This was due to a lack of proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported. We were unable to confirm the reported achievement of the indicators by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the following indicators:

KPI no.	Indicator	Actual achievement per APR
6	Percentage of households with access to basic level of water (Reticulation-new household connections)	298%
9	Percentage of households earning less than R1 600 pm with access to free water (Note: Rudimentary)	0%
7	% of households with access to basic level of sanitation as per WSDP	63%
8	% of households earning less than R1 600 pm with access to free basic sanitation	63%



Other matter

25. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Achievement of planned targets

26. Refer to the annual performance report on page 22 to 23 for information on the achievement of planned targets for the year. This information should be considered in the context of the disclaimer of opinion expressed on the usefulness and reliability of the reported performance information in paragraph 23 of this report.

Responsibilities of the accounting officer for the reported performance information

27. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework set out in annexure D to this report, and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information

28. Our objectives are to obtain reasonable assurance about whether the reported performance information in the annual performance report for the selected objectives is free from material misstatement, in accordance with International Standard on Assurance Engagements, ISAE 3000(R): Assurance engagements other than audits or reviews of historical financial information and to issue a management report that includes our opinion. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the selected objective.
29. We are independent of the municipality in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International code of ethics for professional accountants* (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA codes.

Audit of compliance with legislation

30. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual Financial Statements

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, non-current liabilities, other income, receivables from non-exchange transactions and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Procurement and contract management

32. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by Supply Chain Management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
33. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
34. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
35. Some of the contracts were not awarded in an economical manner and the prices of the goods or services were not reasonable as required by section 62(1)(a) of the MFMA.

Expenditure management

36. Reasonable steps were not taken to prevent irregular expenditure amounting to R35,71 million as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by a competitive bid process not being followed.

Revenue management

37. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.



38. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

39. The performance management system and related controls were inadequate as it did not specifically describe how the performance measurement processes should be conducted, as required by Municipal Planning and Performance Management Regulation 7(1).

Other Information

40. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in the auditor's report.
41. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.
42. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
43. The following paragraph will be included in the auditor's report to highlight to the users whether any inconsistencies in the other information exist.
44. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal controls

45. The significant deficiencies in internal control that led to our overall assessment of the status of the drivers of key controls, as included in the figure in paragraph 7, are described below. The detailed assessment of the implementation of the drivers of internal control in the areas of financial statements, performance reporting and compliance with legislation is included in annexure F.

Leadership

Effective leadership culture

46. Management established a formal code of conduct that addressed appropriate ethical and moral behaviour.

Oversight responsibility

47. The accounting officer and municipal council did not adequately exercise oversight responsibility over the preparation and review the financial statements and the annual performance report before submitting them for audit, as numerous misstatements were identified and were not corrected.
48. The municipality did not have sufficient monitoring controls to ensure adherence to key legislation.
49. The lack of monitoring controls resulted in instances of non-compliance in areas relating to:
- Annual financial statements
 - Expenditure management
 - Revenue management
 - Strategic planning and performance management

Human resource management

50. Three municipal officials were implicated in the investigation that proved financial misconduct.

Action plans to address internal control deficiencies

51. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not timeously monitor adherence to the plan as misstatements and non-compliance identified in the prior year were also identified during the period under audit. The repetitive nature of the control deficiencies identified indicates that root causes were not addressed and commitments were not tracked regularly.

Information technology governance framework

52. The Zululand District Municipality (ZDM) had not resolved any of the prior year information technology (IT) audit findings raised. A lack of management commitment to adequately and timeously implement agreed upon action plans resulted in IT governance findings relating to the IT Strategic Plan, IT Steering Committee, Return on Investment and Benefit Realisation Strategy, service level agreements held and performance monitoring of IT service providers being reported again.

Financial and performance management

Proper record keeping

53. The municipality did not have a proper records management system to maintain information that supported the reported performance in the annual performance report.
54. Management did not implement an adequate filing system to ensure that source documents relating to expenditure, assets, revenue, commitments and procurement were readily available upon request for audit.

Regular, accurate and complete financial and performance reports

55. As indicated in section 2.1, the financial statements contained numerous misstatements, some of which were corrected. This was mainly due to staff not fully understanding the requirements of the financial reporting framework.
56. As Indicated in section 2.3, the annual performance report contained numerous misstatements, some of which were corrected. This was mainly due to staff not fully understanding the performance information requirements.
57. Management did not implement processes that related to the collection, collation, verification, storing and reporting of actual performance information.

Compliance monitoring

58. Non-compliance with legislation relating to items listed below could have been prevented had management reviewed and monitored internal control on a regular basis:
- Strategic planning and performance management
 - Expenditure management
 - Revenue management

Information technology systems

59. The status of IT controls within ZDM requires intervention due to management not prioritising the resolution of previous IT audit findings raised. In the 2019-20 year, IT audit findings related to security management, user access management, program change management, IT service continuity and automated controls across the Solar, Payday, Implementation and Management of Project Information (IMPI), Local Suppliers' Database and Performance Management System (PMS) had to be reported again. These findings were attributed to IT steering committee meetings not being held during the 2019-20 financial year, IT projects noted in the IT Strategic plan not being implemented and the required budgets for upgrading of IT infrastructure not being secured.

Governance

Risk management activities and risk strategy

60. The municipality conducted a risk assessment as required by the MFMA, however this was not adequate, as a number of control deficiencies were not identified and addressed.

Internal audit

61. Internal audit at the municipality completed their planned audits as per their audit plan. The effectiveness of internal audit was impeded by the municipality's lack of timely follow-up to address matters raised. Thus the internal controls that should be adopted by the municipality are not being implemented, which resulted in findings being raised by the external auditors after year-end.
62. Internal audit reviewed the annual financial statements prior to being submitted to the Auditor-General, however management failed to address concerns raised, resulting in material misstatements in the submitted financial statements.

Audit committee

63. The audit committee met to review the adequacy, reliability and accuracy of the financial statements and annual performance report before submission for audit; however, management failed to address concerns raised timeously.

Summary

64. The matters above, as they relate to the basis for the qualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:
65. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with legislation. The accounting officer did not adequately implement financial reporting and performance information requirements to support the achievement of credible financial and performance reporting and compliance with legislative requirements.
66. Management did not diligently undertake routine monthly reconciliations and reviews, to support amounts reported in the financial statements and the annual performance report. This was due to management not fully understanding the requirements of the financial and performance reporting frameworks as well as poor records management.

Other reports

67. We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the municipality's financial statements, reported performance information and compliance with applicable legislation and other related matters.



The reports noted do not form part of the opinion on the financial statements or findings on the reported performance information or compliance with legislation.

68. An independent consultant investigated an allegation of procurement irregularities as highlighted in the 2017/18 audit report tabled by the Auditor General at the request of the municipality, which covered the period 1 July 2017 to 30 June 2018. The investigation was concluded in January 2020 and resulted in criminal proceedings against three employees. These proceedings were in progress at the date of this auditor's report.
69. The MEC for Co-operative Governance and Traditional Affairs commissioned an independent consulting firm to investigate allegations of maladministration, fraud and corruption at the municipality, which covered the period 1 July 2017 to 30 June 2018. The investigation was conducted in terms of section 106(1)(b) of the Local Government Municipal Systems Act 32 of 2000. The municipality applied to the High Court for a review of the report. The court proceedings were still in progress at the date of this report.

SECTION 3: Assurance providers and status of implementation of commitments and recommendations

Assessment of assurance providers

70. The annual report is used to report on the financial position of auditees, their performance against predetermined objectives, and overall governance. One of the important oversight functions of the municipal council is to consider auditees' annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation.
71. Our reporting and oversight processes reflect on past events, as they take place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.
72. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.6) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

First level of assurance

Senior management: provides Limited assurance

- Senior management did not ensure that processes were in place to accurately and completely record financial and performance information. The credibility of the reports produced continued to be a challenge as evidenced by material misstatements identified in the annual financial statements and annual performance report and non-compliance with laws and regulations.

Accounting officer: provides Limited assurance

- The accounting officer did not exercise adequate monitoring controls to ensure that accurate financial statements were prepared and reviewed against supporting documents, that all relevant laws and regulations were complied with and that information on predetermined objectives was useful and reliable.

Mayor: provides Some assurance

- The mayor did not exercise adequate oversight responsibility over management's response to the prior year audit findings.



Second level of assurance

Internal audit unit: provides **Some assurance**

- Legislation in South Africa requires the establishment of, and provides for, the roles and responsibilities of internal audit units. Internal audit units must form part of the internal control and governance structures of the municipality and must play an important role in its monitoring activities. Internal audit must provide an independent assessment of the municipality's governance, risk management and internal control processes.
- The internal audit unit of a municipality must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on implementation of the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the MFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.
- The internal audit unit adequately reviewed the annual financial statements, annual performance report and compliance with applicable laws and regulations. However, the recommendations of the internal audit unit were not implemented on time resulting in a stagnation of the audit outcome

Audit committee: provides assurance

- The audit committee must be an independent advisory body to the council, accounting officer and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the MFMA and any other applicable legislation; performance evaluation and any other issues.
- The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.
- The audit committee met to review the adequacy, reliability and accuracy of the financial statements and annual performance report before submission for audit; however, management failed to address concerns raised timeously.

Third level of assurance

Municipal council: provides **Some assurance**

- Municipal council has been assessed as providing some assurance as they have provided oversight to the municipality.
- Municipal council did not adequately monitor the action plan to address prior year material misstatements, resulting in audit outcomes remaining unchanged for the 2019-20 financial year.



Municipal public account committee (MPAC): provides

- The extent to which the council adopted the MPAC guides has been considered in the assessment of MPAC as an assurance provider.
- The committee should play a more significant oversight role in the verification of the credibility and reliability of information as quarterly financial and performance reports were not adequately reviewed by the committee.

Status of implementing commitments and recommendations

73. Below is our assessment of the progress in implementing the commitments made by the municipality to address the previous and current years' audit findings.

No.	Commitment	Responsible By	Date	Origin of commitment	Status
1.	On a monthly basis, a report will be generated from the financial system to identify all active consumers that are not billed then the system will be updated with estimates.	CFO	5 Aug 2019	Prior year audit findings	Resolved All active consumers are billed on the system
2.	Water Conservation and Demand Management Business Plans are in place to address issues of water losses.	CFO	5 Aug 2019	Prior year audit findings	In Progress A project to install water meters is being finalised. The tender has been awarded. Budget is being sourced to attend to installation.
3.	Management will review the current existing controls in procurement and implement additional stringent controls over procurement and expenditure management.	CFO	5 Aug 2019	Prior year audit findings	In progress Investigations will be conducted and the condonement sourced from National treasury
4.	Management will institute Section 32 investigations on any UIFW expenditure identified in future	CFO	5 Aug 2019	Prior year audit findings	Resolved All UIFW expenditure incurred in prior years was investigated
5.	Tender document compliance checklist will be implemented. Management will institute Section 32 investigations on any UIFW expenditure identified in future.	CFO	5 Aug 2019	Prior year audit findings	In progress In the current year, management implemented the compliance checklist, however there were still non-compliances identified.
6.	Stringent controls will be implemented to ensure compliance with all applicable legislation regarding procurement of goods and services.	CFO	5 Aug 2019	Prior year audit findings	In progress During the current year audit, compliance findings have been identified.
7.	The database for all communities that received water will be populated using ISD officers to reconcile the total number of beneficiaries as per project scope and	CFO	5 Aug 2019	Prior year audit findings	Not started

No.	Commitment	Made by	Date	Origin of commitment	Status
	the beneficiaries that are receiving water and sanitation				

- Two audit recommendations accepted by management in the previous year on matters included in the auditor's report and other important matters were implemented, or alternative actions were taken to resolve the finding.
- Four recommendations are still being implemented and one has not been addressed, or very limited progress has been made.
- Details on the status of implementing the previous year's recommendations are provided in section 10, which summarises the detailed audit findings.

SECTION 4: Specific focus areas

Financial viability

74. Our audit included a high-level overview of the Zululand District Municipality's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2020	As at 30 June 2019
Expenditure management			
1.1	Creditor-payment period	200 Days	217 Days
Revenue management			
2.1	Debt-collection period (after impairment)	215 Days	182 Days
2.2	Debt-impairment provision as a percentage of accounts receivable	82.4%	84.5%
	• Amount of debt-impairment provision	R107 419 108	R95 664 679
	• Amount of accounts receivable	R130 313 410	R113 269 453
Asset and liability management			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	No



FINANCIAL VIABILITY ASSESSMENT			
		As at 30 June 2020	As at 30 June 2019
	• Amount of the surplus / (deficit) for the year	322 207 747	284 638 550
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	Yes	Yes
	• Amount of the net current liability position	(R140 916 212)	(R155 965 098)
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	• Amount of the net asset position	R3 949 918 784	R3 540 651 102
Cash management			
4.1	The year-end bank balance was in overdraft	No	No
	• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	R12 290 031	R12 478 331
4.2	Net cash flows for the year from operating activities were negative	No	No
	• Amount of net cash in / (out)flows for the year from operating activities	R410 201 572	R391 163 396
4.3	Creditors as a percentage of cash and cash equivalents	1 679 %	1 525 %
	• Amount of creditors (accounts payable)	R207 884 434	R206 404 939
	• Amount of cash and cash equivalents / (bank overdraft) at year-end	R12 290 031	R12 478 331
4.4	Current liabilities as a percentage of next year's budgeted resources **	27.5%	25.3%
	• Amount of current liabilities	R216 386 487	R211 598 104
	• Amount of next year's budgeted income **	R786 180 000	R837 882 000
Overall assessment			
Overall, the financial viability is assessed as:		Concerning	Concerning

High-level comments

75. Financial viability has been assessed as concerning for the following reasons:

- Debtors collection period has increased from 182 days to 215 days
- The municipality has remained in a net current liability position
- The municipality may experience cash flow challenges and struggle to pay creditors within 30 days.



- Current liabilities as a percentage of next year's budgeted resources is 27,5%.

Procurement and contract management

76. The audit included an assessment of procurement processes, contract management and the related controls in place. These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism and unfair and other irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure

77. R35,71 million (100%) of the Irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. R15,18 million (43%) of this Irregular expenditure was identified during the audit process and not detected by the municipality's monitoring processes. The root cause is ineffective reviews and monitoring by the SCM unit to ensure that all SCM processes were followed prior to the appointment of suppliers.

Awards to close family members of persons in the service of the state

78. Awards to providers owned by close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However, such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM regulation 45. The audit included the identification of awards to close family members. Further testing was performed to determine whether the financial statement disclosure was made and the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows:

- Close family member of one official had an interest in awards made to the value of R569 527.
- One award to a close family member, amounting to R569 527 was not disclosed in the financial statements.
- One (1) provider in which a close family member had an interest did not submit their declaration of interest.

Procurement processes

79. The table below is a summary of findings identified on procurement processes:

	Total		Quotations		Contracts	
	Number	Value R	Number	Value R	Number	Value R

Awards selected for testing	90	514 590 563	44	5 997 994	46	508 592 570
Expenditure incurred on selected awards – current year		341 129 609		5 997 994		335 131 616
Awards where non-compliance was identified	24	6 557 517	16	1 913 969	8	4 464 547
Irregular expenditure identified	24	6 557 517	16	1 913 969	8	4 464 547

Procurement processes – general

- Nine awards to the value of R1 426 827 were procured without inviting at least the minimum prescribed number of written price quotations from prospective suppliers, and the deviation was approved even though it was possible to obtain the quotations.
- Three quotations to the value of R252 023 were deliberately split into parts or items of lesser value merely to avoid complying with the requirements of the SCM policy/ SCM regulations with respect to competitive bidding process.
- Seven contracts to the value of R3 567 665 were procured without inviting competitive bids, and the deviations were approved even though it was practical to invite competitive bids.
- One contract to the value of R26 611 188 was awarded to a bidder based on preference points that were not allocated according to the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Local content and production (designated sectors)

- Specifications for four awards with a total value of R234 945 did not stipulate the minimum threshold for local production and content.

Covid-related procurement and transactions

80. In response the National State of Disaster declared by President Cyril Ramaphosa on 15 March 2020 following a declaration by the World Health Organisation of the COVID-19 outbreak as a pandemic, the National Treasury released a series of Circulars with the purpose of prescribing the emergency procurement procedures to deal with the COVID-19 pandemic and to avoid the abuse of the SCM system during the national disaster.
81. The municipality procured hand sanitisers, face masks, natural rubber latex gloves and visor face shields through the emergency procurement process. The prices paid for these were above prices negotiated in terms of paragraph 3.7.6 of MFMA Circular 100 of 2019-20, which



states that institutions may approach any other supplier to obtain quotes and may procure from such a supplier on condition that the prices are equal to or lower than the prices in Annexure A. The total irregular expenditure amounting to R324 048 has been subsequently disclosed in the adjusted financial statements.

82. The municipality purchased 6 walk-through metal detectors with body temperature measurement, however, the purchase did not meet the requirements of paragraph 3.7.6 of MFMA Circular 102 of 2019-20. The total irregular expenditure amounting to R547 307,88 has been subsequently disclosed in the adjusted financial statements.
83. The municipality purchased 6 walk-through sanitizing booths, however, the purchase of these booths did not meet the requirements of paragraph 3.7.6 of MFMA Circular 102 of 2019-20. The total fruitless and wasteful amounted to R307 050.
84. The municipality purchased Covid-19 related items by deviating from the normal SCM processes, however some of these were not approved by the accounting officer. The total irregular expenditure amounting to R4 512 480 has been subsequently disclosed in the adjusted financial statements.

Internal control deficiencies

85. There was lack of adequate and effective monitoring by management in the application of the municipality's SCM policy and related key legislation. This is mainly attributable to inadequate time being allocated to the analysis and diligent review of procurement processes.

Fraud and consequence management

86. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and for issuing an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.
87. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorised, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations. Our audits included an assessment of the municipality's management of consequences.
88. There were no significant findings identified.

Transgressions reported to management for investigation

89. The table below provides a summary of the transgressions reported in the year under review that must be investigated and disciplinary steps taken based on the results of the investigations.



Findings	Findings raised in the previous year			Findings reported in current year	
	Number of instances	Number of instances	Number of instances	Number of instances	Value (R)
B: Improper conduct in SCM by officials					
Officials failed to disclose their own interest or that of close family members, partners or associates	None	N/A	N/A	5	2 213 139

90. Irregular expenditure disclosed in note 48 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of this expenditure. Disciplinary steps must be taken against officials who caused or permitted the irregular expenditure and losses incurred must be recovered from the person liable.
91. In terms of section 225 of the IESBA code, we have a responsibility to consider reporting identified and suspected non-compliance with laws and regulations to an appropriate authority.

Conditional grants

92. For the financial year under review, the audit included an assessment of the effectiveness of the municipality's use of the following conditional grants received:
- Municipal Infrastructure Grant
 - Regional Bulk Infrastructure Grant
 - Water Services Infrastructure Grant
 - Expanded Public Works Program
93. No findings were raised in this regard for the financial year under review.

Other value-adding work

94. In response to the outbreak of Covid-19 pandemic, public bodies including municipalities had to ensure that there was sufficient supply of Personal Protective Equipment (PPE) and water to its employees and communities. Therefore, a pro-active audit was undertaken on both PPE and water tanks in validating that, there were sufficient related controls, continued availability, supply of PPE and water that is managed in an effective, efficient and economical manner.
95. The following findings were identified during the audit:

Water tanks

- Needs determination lacked proper assessment as outlined by the Council for Scientific and Industrial Research: Guidelines for Human Settlement Planning and Design (Red book);
- Construction not in accordance with the drawings specifications;
- Lack of detail in water tanks construction drawings;
- Bills of Quantities (BoQ) were not in line with the construction drawings;
- Quality deficiencies identified on water tanks such as cracked ground floor slab, leakage GMS outlet pipes.

Personal Protective Equipment

- Lack of validating evidence for planned PPE quantities;
- Inadequate controls over the receipt and distribution of PPE stock.

96. The detailed findings are included under Annexure B of the management report.

SECTION 5: Using the work of internal auditors

97. The auditing standards allow external auditors the optional use of the work of internal audit for external audit purposes and for direct assistance. The following internal audit reports were used for risk identification:

- Performance Management System and Audit of Predetermined Objectives
- Creditors and payments
- Creditors control and debt management
- Human resources
- Metered billings
- Tenders and contract
- Subsistence and travel
- Asset management

98. The internal audit function was not used for direct assistance as the internal audit plan and the nature, timing and extent of audit procedures were not aligned with that of external audit.

SECTION 6: Emerging risks

Accounting, performance management/reporting and compliance matters

New pronouncements

Standards of Generally Recognised Accounting Practice (GRAP)

The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
GRAP 18 on <i>Segment reporting</i>	1 April 2020
GRAP 34 on <i>Separate financial statements</i>	1 April 2020



GRAP pronouncement	Effective date
GRAP 35 on <i>Consolidated financial statements</i>	1 April 2020
GRAP 36 on <i>Investments in associates and joint ventures</i>	1 Apr 2020
GRAP 37 on <i>Joint arrangements</i>	1 April 2020
GRAP 38 on <i>Disclosure of Interests in other entities</i>	1 April 2020
GRAP 104 on <i>Financial instruments</i> (revised)	To be determined
GRAP 110 on <i>Living and non-living resources</i>	1 April 2020
IGRAP 20 on <i>Accounting for adjustments to revenue</i>	1 April 2020
Guideline on <i>Accounting for landfill sites</i>	To be determined
Guideline on <i>Application of materiality to financial statements</i>	Voluntary*
* The guideline was issued in April 2019. The guideline is available for immediate consideration to assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. Although the application of the guideline is voluntary, application is encouraged.	

Audit findings on the annual performance report that may have an impact on the audit opinion in future

99. The planned and reported performance information of selected objectives was audited against the following additional criteria as developed from the performance management reporting framework:

- **Presentation and disclosure – overall presentation:**
 - Overall presentation of the performance information in the annual performance report is comparable and understandable.
- **Relevance – completeness of relevant indicators:**
 - Completeness of relevant indicators in terms of the auditee's mandate, including whether:
 - relevant core functions are prioritised in the period under review
 - relevant performance indicators are included for the core functions prioritised in the period under review
 - standardised indicators related to the core functions prioritised for the year under review are included in planning documents.

100. Material audit findings arising from the audit against the additional criteria do not have an impact on the audit opinion of the selected objective in this report. However, they may have an impact on the audit opinion in future.

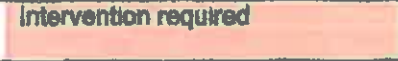
101. No material findings were identified in respect of the additional criteria.



SECTION 7: Entities controlled by the municipality

102. In terms of the MFMA, the municipality has certain oversight responsibilities regarding a municipal entity over which it has control. The audit outcome of this entity is summarised below.

Name of entity	Audit outcome			Significant deficiencies in internal control					
	Financial statement opinion	Findings on the performance report	Findings on compliance	Leadership		Financial and performance management		Governance	
				Assessment	Movement	Assessment	Movement	Assessment	Movement
Zululand Development Agency	Unqualified	N/A	N/A					N/A	N/A

 Improved	 Unchanged	 Regressed
 Good	 Of concern	 Intervention required

SECTION 8: Ratings of detailed audit findings

103. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- **Matters to be included in the auditor's report:** these matters should be addressed as a matter of urgency.
- **Other important matters:** these matters should be addressed to prevent them from leading to material misstatements of the financial statements or material findings on the performance report and compliance with legislation in future.
- **Administrative matters:** these matters are unlikely to result in material misstatements of the financial statements or material findings on the performance report and compliance with legislation.

SECTION 9: Conclusion

104. The matters communicated throughout this report relate to the three fundamentals of internal control that should be addressed to achieve sustained clean administration. Our staff remain committed to assisting in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely


Merusha Vather
Deputy Business Executive: KwaZulu-Natal

28 February 2021

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Distribution:

Audit committee

Head of internal audit unit



SECTION 10: Summary of detailed audit findings

Page No.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Annual Financial Statements										In progress
	Water losses										
45	Misstatements in the calculation of water losses	✓					✓			0	In progress
47	Incorrect disclosure of water losses in the AFS	✓					✓			0	In progress
48	Inaccurate kilolitres used in the calculation of water loss	✓					✓			0	In progress
49	Insufficient supporting evidence provided to substantiate the calculation of prior year water loss	✓					✓			0	In progress
52	Inconsistent information submitted by the Municipality	✓					✓			0	In progress
	Revenue and receivables from exchange transactions										
39	Corresponding amounts misstated	✓					✓			2	In progress
41	Consumers billed on interim charges	✓					✓			2	In progress
92	Consumers active on Solar system but not billed	✓						✓		2	In progress
84	Consumers billed using incorrect tariffs	✓						✓		2	In progress
	Other receivables from exchange transactions										
74	Non-current other receivables from exchange transactions recognised as current	✓						✓		0	In progress
	Cash Flow Statement										
86	Inaccuracies on the cash flow statement and note 39	✓						✓		1	In progress
	Audit Committee										
125	Audit committee deficiencies				✓				✓	0	In progress
	Bulk Purchases										

Page No.	Finding	Control System						Rating		Number of lines reported in previous three years	Status of implementation of previous year(s) recommendations
		Misstatements in financial statements	Misstatements in annual performance	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other Important matters	Administrative matters		
90	Understatement of bulk purchases	✓						✓		2	In progress
89	Bulk purchases misstated	✓						✓		2	In progress
	Procurement and contract management										
54	Invalid deviations			✓			✓			2	In progress
69	Supplier in which business partner of employee has an interest			✓				✓		1	In progress
70	Supplier in which spouse of employee has an interest			✓				✓		1	In progress
56	Deviation not approved by the Accounting Officer			✓			✓			2	In progress
58	Minimum threshold for local production and content not specified			✓			✓			2	In progress
80	Goods procured at prices higher than MFMA Circular Annexure A prices			✓			✓			2	In progress
	COVID-19 Transactions									0	In progress
76	Preventative controls not implemented			✓				✓		1	Not started
77	Food vouchers not distributed according to qualification criteria			✓				✓		1	Not started
79	Deviations not reported to council			✓				✓		1	Not started
80	Deviations not disclosed			✓				✓		1	Not started
	Expenditure management										
63	Reasonable steps not taken to prevent irregular expenditure.			✓			✓			2	In progress
	Audit of Predetermined objectives										
65	Performance indicators reported in the APR are not verifiable		✓				✓			2	In progress
84	Performance indicators reported in the APR are not well-defined		✓					✓		1	In progress
83	Performance indicators reported in the APR not verifiable		✓					✓		1	In progress
66	Supporting documents not available		✓				✓			2	In progress
67	Weaknesses in the performance management system		✓				✓			2	In progress
	Value Add										
	Water Tankers										



Page No.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
98	Weaknesses identified on water tanks					✓		✓		0	In progress
97	Inadequate needs assessment for water tanks					✓		✓		0	In progress
97	Construction not in accordance with the drawings specifications					✓		✓		0	In progress
100	Lack of details in water tanks construction drawings					✓		✓		0	In progress
100	Bills of Quantities (BoQ) were not in line with the construction drawings					✓		✓		0	In progress
101	Quality deficiencies identified on water tanks					✓		✓		0	In progress
	Personal Protective Equipment										
104	Lack of validating evidence over planned PPE quantities				✓	✓		✓		0	In progress
105	Inadequate controls over the receipt and distribution of PPE stock				✓	✓		✓		0	In progress
	Information Technology										
101	Inadequate documentation of the IT Strategic Plan				✓			✓		1	In progress
108	IT Steering Committee did not meet as required by the Terms of Reference				✓			✓		1	In progress
109	Return on Investment and Benefit Realisation Strategy for IT spend has not been adequately documented and approved				✓			✓		1	In progress
110	Service performance of key financial systems service providers not monitored				✓			✓		1	In progress
111	Service level agreement between Zululand District Municipality and Quartex Technologies not signed by the municipality				✓			✓		1	In progress
112	Windows Server 2008 R2, Windows SQL Server R2 and Microsoft TMG firewall used for the Implementation and Management of Project Information, Performance Management System and Local Suppliers' Database is no longer supported by Microsoft				✓			✓		1	In progress
113	Antivirus not managed centrally				✓			✓		1	In progress
114	Inadequate management of the firewall				✓			✓		1	In progress
115	Patch management status reports not reviewed				✓			✓		1	In progress
116	Password configuration settings for the Implementation and Management of Project Information system could not be generated				✓			✓		1	In progress

Page No.	Finding	Classification						Rating		Number of times reported in previous three years	Status of implementation of previous year(s) recommendations
		Misstatements in financial statements	Misstatements in annual performance	Non-compliance with legislation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
117	No review of logon violations for the PayDay, Implementation and Management of Project Information, Local Suppliers' Database and Performance Management System				✓			✓		1	In progress
118	No formal processes in place for user account management activities on the Implementation and Management of Project Information, Local Suppliers Database and Performance Management System				✓			✓		1	In progress
119	System generated list of user account management activities not available for Solar, PayDay and Windows Active Directory				✓			✓		1	In progress
120	Administrator activities not reviewed on the Implementation and Management of Project Information, Local Suppliers' Database and Project Management System				✓			✓		1	In progress
121	Generic accounts not disabled on the Windows Active Directory				✓			✓		1	In progress
122	Change logs were not available for the Implementation and Management of Project Information, Local Suppliers' Database and Performance Management System				✓			✓		1	In progress
123	Disaster Recovery Plan and testing has not been comprehensively documented and completed				✓			✓		1	In progress
124	Inadequate automated controls on the Local Suppliers' Database relating to approvals				✓			✓		1	In progress

Detailed audit findings

Annexure A: Matters affecting the auditor's report

1. REVENUE AND RECEIVABLES FROM EXCHANGE TRANSACTIONS

1.1 Corresponding amounts misstated

Audit finding

In terms of GRAP 3: *Accounting policies, changes in accounting estimates and errors*, paragraph 44, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

In applying paragraph 44, an entity shall disclose the following:

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

During the audit of revenue and receivables, it was noted that the municipality did not raise a prior period adjustment for revenue from service charges and a corresponding prior period adjustment for the receivables amount for the 2018-19 financial year as per audit communication 18 of 2019 which resulted in the qualification of revenue and receivables in the 2018-19 audit report.

Consequently, this results in the comparable amount for revenue from service charges (R33 512 747) and the opening balance of receivables (R17 601 411) being materially misstated by an amount that could not be quantified.

Internal control deficiency

The accounting officer did not adequately review the annual financial statements to ensure that the necessary adjustments were made prior to submitting the financial statements for audit.

Recommendation

The municipality should make the necessary adjustments to the revenue and receivables amount for the 2018-19 financial year and raise a corresponding prior period adjustment.

Management response

Response	Name	Date
As a background to communication, the court case gave the municipality a guide on why it should not bill using interim charges. However, in 2017/2018 based on communication 3 of 2018 the interim	R N Hlongwa	12/02/2021

Response	Name	Date
was enforced. A prior period adjusted remained outstanding on the basis that it was not material. That led to one matters of qualification. The Interim charge remained in force in the following financial year 2018/19. A communication 18 of 2019 question the use of interim charges for more than three months. The municipality response was that the process to install measurement instruments was started to make the budget available first. The finding is raised in 2019/20 in the accuracy of the interim charge calculations. The system vendor was requested to assist in understanding of the background methodology in the calculations. They were able to identify the exceptions and proposed a solution to correct this in two days. The use of the interim charge is now critical issue for the past three financial years has been relied upon to generate revenue. To reverse them might question the sustainability of the institution which is trying very hard to build its capacity sourcing of extra external funding is at its peak to deal with issues of obsolete Infrastructure. The second consequence of reversing interim charge is difficult to clear credit balances that might arise to those customers who honoured their bills. <u>Proposed Solutions:</u> • The municipality must process the journal for prior period error adjustment which was determined to be not material. • The municipality must evaluate the interim charge for all population of customers as revealed by communication 22 of 2020. The municipality must show evidence for progress in its effort to deal with the question of dysfunctional instrument for billing. <u>Progress to achieve replacement of Infrastructure:</u> <u>Background</u> The municipality in its endeavour to eliminate qualification from audit opinion took a decision to find means to clear qualification matters of which key matter was the use of estimated consumption for longer period in billing customers. The Council took a resolution to obtain a funding source in a form of a donation grant or loan. Public Invite through request for proposal was issued in a media for individuals who would be interested in providing this service. The key objectives for this exercise are: ▪ Identification of projects for funding and managing on a turnkey basis to accelerate service delivery in water and sanitation infrastructure and demand management programme. ▪ The SCM process has now been finalised to identify the suitable service provider. ▪ The service level agreement has been entered into to go look for funding. ▪ In the next week 15th February 2021, the process of establishing business plan on programmes will start followed by		

Response	Name	Date
the process of engagement with funders to be identified whereafter the service level agreement will be entered into. A project steering committee will be established to monitor the programme.		
Action to address finding	Responsible official	Due date
- The municipality must process the journal for prior period error adjustment which was determined to be not material. - The municipality must evaluate the interim charge for all population of customers as revealed by communication 22 of 2020. - The municipality must show evidence for progress in its effort to deal with the question of dysfunctional instrument for billing.		

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year. The adjustment journal regarding prior period error will be reviewed upon receipt of final AFS.

1.2 Consumers billed on Interim charges

Audit finding

In terms of section 64(2)(a) of the MFMA, "The accounting officer must take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act (MSA) and the municipality's credit control and debt collection policy."

Section 95(d) of the MSA further states that, "In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity, where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems."

Furthermore, in terms of accounting policy note 1.18 to the financial statements, "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 reverses the provisional readings, when the reading has been captured on the system."

During the audit of revenue and receivables from exchange transactions, it was noted that consumers for which meter readings could not be taken were billed using an interim charge. Upon further inspection, it was noted that the method used to calculate the interim charges was not consistent with the accounting policy and was not re-performable.

The charges for consumption for the following consumers could not be re-performed:

No.	Account no.	Account holder	Invoice inspected	Billed amount
1	1006829	L ZULU	201907/1006829	(26 958,07)



No.	Account no.	Account holder	Invoice inspected	Billed amount
2	1196327	L NKONDE	201908/1196327	24,84
3	1271637	M MABASO	202005/1271637	(1 402,00)
4	1289530	PAULPIETERSBURG SPAR	202004/1289530	1 886,73
5	1348797	DHAHAB INVESTMENTS	202004/1348797	5 278,72
6	1265736	DEPARTMENT OF WORKS OFFICES	202004/1265736	103,88
7	1259460	G BOND	202004/1259460	103,88
8	1115132	PW - WATER ACC	202002/1115132	64 624,30
9	1055369	ITHALA DEV FIN CORP LTD	202002/1055369	13 456,30
10	1000163	CEZA HOSPITAL	202002/1000163	168 739,58
11	1339672	ULUNDI LOCAL MUNICIPALITY	202001/1339672	5 220,70
12	1000957	ULUNDI LOCAL MUNICIPALITY	202001/1000957	100,10
13	1128881	EFEFE PRIMARY SCHOOL	201911/1128881	103,88
14	1000174	ITSHELEJUBA HOSPITAL	201911/1000174	25 055,90
		TOTAL		256 338,74

Consequently, revenue from service charges (water and sanitation) and trade receivables from exchange transactions are materially misstated as the municipality billed customers for whom they were unable to accurately determine the consumption.

Internal control deficiency

Management did not take reasonable steps to ensure that proper processes are in place to reliably and accurately estimate water consumption.

Recommendation

- Management should ensure that proper processes are implemented to estimate consumption correctly.
- Management should revisit the population to identify all consumers that have been billed on interim charges and make the necessary adjustments.

Management response

Response	Name	Date
As a background to communication, the court case gave the municipality a guide on why it should not bill using interim charges. However, in 2017/2018 based on communication 3 of 2018 the interim was enforced. A prior period adjusted remained outstanding on the basis that it was not material. That led to one matters of qualification. The interim charge remained in force in the following financial year 2018/19. A communication 18 of 2019 question the use of interim charges for more than three months. The municipality response was that the process to install measurement instruments was started to make the budget available first. The finding is raised in 2019/20 in the accuracy of the interim charge calculations. The system vendor was requested to assist in understanding of the background methodology in the calculations.	R N Hlongwa	12/02/2021

Response	Name	Date
They were able to identify the exceptions and proposed a solution to correct tis in two days. The use of the interim charge is now critical issue for the past three financial years has been relied upon to generate revenue. To reverse them might question the sustainability of the institution which is trying very hard to build its capacity sourcing of extra external funding is at its pick to deal with issues of obsolete Infrastructure. The second consequence of reversing interim charge is difficult to clear credit balances that might arise to those customers who honoured their bills. <u>Proposed Solutions:</u> • The municipality must process the journal for prior period error adjustment which was determined to be not material. • The municipality must evaluate the interim charge for all population of customers as revealed by communication 22 of 2020. The municipality must show evidence for progress in its effort to deal with the question of dysfunctional instrument for billing. <u>Progress to achieve replacement of Infrastructure:</u> <u>Background</u> The municipality in its endeavour to eliminate qualification from audit opinion took a decision to find means to clear qualification matters of which key matter was the use of estimated consumption for longer period in billing customers. The Council took a resolution to obtain a funding source in a form of a donation grant or loan. Public invite through request for proposal was issued in a media for individuals who would be interested in providing this service. The key objectives for this exercise are: ▪ Identification of projects for funding and managing on a turnkey basis to accelerate service delivery in water and sanitation infrastructure and demand management programme. ▪ The SCM process has now been finalised to identify the suitable service provider. ▪ The service level agreement has been entered into to go look for funding. ▪ In the next week 15th February 2021, the process of establishing business plan on programmes will start followed by the process of engagement with funders to be identified whereafter the service level agreement will be entered into. ▪ A project steering committee will be established to monitor the programme.		
Action to address finding	Responsible official	Due date
• The municipality must process the journal for prior period error adjustment which was determined to be not material. • The municipality must evaluate the interim charge for all population of customers as revealed by communication 22 of 2020.		

Response	Name	Date
The municipality must show evidence for progress in its effort to deal with the question of dysfunctional instrument for billing.		

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year. The adjustment journal regarding prior period error will be reviewed upon receipt of final AFS.

Management should also note that since allowance for impairment of R107 419 108 as disclosed in note 4 is calculated based on the receivables amount, this balance is also materially misstated as receivables are materially misstated.

2. WATER LOSS

2.1 Misstatements in the calculation of water losses

Audit finding

Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

Section 125(2)(d)(i) of MFMA states that: "The notes to the financial statements of a municipality must include particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable."

MFMA Circular 71 states that: "The purpose of water losses ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold as a result of losses incurred through theft (illegal connections), non- or incorrect metering or wastage as a result of deteriorating water infrastructure. It is expected that implementation of the free basic service policy is included in the calculation for sale of water."

Formula

$$\frac{(\text{Number of Kilolitres Water Purchased or Purified} - \text{Number of Kilolitres Water Sold})}{\text{Number of Kilolitres Water Purchased or Purified}} \times 100$$

Norm

The Norm is between 15% and 30%

During the audit of water losses, it was identified that the municipality used the following kilolitres in the calculation of water sold:

Description	Measure	Assumed KL of water per annum	Auditors comment
Billed authorised	kl/annum	8 707 440,53	The municipality did not use the correct information in calculating the kilolitres of water losses. The formula as per MFMA circular 71 states that the municipality must use the number of kilolitres of water sold. The municipality makes use of assumed consumption based on the number of households and the population within the district. However, the municipality bills customers every month on water that is consumed based on meter readings. This is Billed Authorised Consumption and this information is readily available from the billing reports of the municipality. Therefore, it is not accurate or appropriate for the municipality to assume the

Description	Measure	Assumed KL of water per annum	Auditors comment
			kilolitres of water sold when actual amounts can be used from the meter readings that the municipality uses to bill customers.
Unbilled metered	kl/annum	9 191 332,89	This represents metered consumption that is distributed for free as part of basic service delivery. There are meters associated with this consumption. The municipality determined this using assumed kilolitres when the meter readings could have provided an accurate consumption of water by the community.
Unbilled unmetered	kl/annum	4 317 117,46	These are unmetered consumptions which is water from the stand pipes where there is sharing of water by the community. The municipality needs to establish a system that can measure the water that is used by the community. For instance the municipality can use water tankers to deliver water to the community and these tankers should have a record of water that was in the tankers to be distributed to the community and from there keep a record of this for purposes of this calculation.
Total Authorised Consumption	kl/annum	22 215 890,88	

It is important to note that there are inconsistencies between the revenue from service charges (water sales) as per the Annual financial statements as it is based on billing reports from meter readings performed by the municipality. However, for water losses calculation, the municipality makes use of assumed consumption to determine water sold or consumed by the community within the district.

Consequently, this results in a material misstatement on water losses of R48 276 358 disclosed in note 49 to the AFS.

Internal control deficiency

Management did not in all instances perform adequate review of the calculation to ensure that accurate information was used to calculate water losses.

Recommendation

- Management should undertake a review the calculation of water losses and ensure that appropriate and accurate information is used to calculate the kilo litres of consumption.
- Management must keep a detailed daily record of water distributed through water tankers and this information should be used to calculate unbilled and unmetered consumption.

Management response

Agreed, recommendations will be implemented in the following financial year.

Name: RN Hlongwa
Position: CFO
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

2.2 Incorrect disclosure of water losses in the AFS

Audit finding

Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

Paragraph 17 of GRAP 1 states that: "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation."

Section 125(2)(d)(i) of the MFMA states that: "The notes to the financial statements of a municipality must include particulars of any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable."

During the audit of water losses, it was noted that the disclosure of the water losses is not as per the requirements of Section 125(2)(d)(i). This section requires that the municipality discloses the particulars of the material loss in the Annual Financial Statements.

The municipality merely disclosed the rand amount of R48 276 358 (2018: R14 348 786) in note 49. The description of the water loss, the percentage of the loss and the contributing factor that resulted in the loss falling below the norm of 15% was not disclosed.

Consequently, this results in non-compliance with MFMA legislation and GRAP 1 requirements on fair presentation.

Internal control deficiency

Management did not in all instances exercise adequate oversight responsibility regarding financial and performance reporting as well as compliance with legislation and related internal controls.

Recommendation

Management and the CFO should amend note 49 in the annual financial statement disclosure relating to water losses to provide all the required disclosures.

Management response

Agreed, recommendations will be implemented in the following financial year.

Name: RN Hlongwa
Position: CFO
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

2.3 Inaccurate kilolitres used in the calculation of water loss**Audit finding**

Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is

responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

Paragraph 17 of GRAP 1 states that: "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation."

During the audit of water losses and based on information submitted for audit on 23 February 2021, it was noted that kilolitres of water produced and purified per the calculation for water losses was inconsistent with the Bulk meter reading and small plant meter readings. Refer to the table below for details:

Description	Kilolitres of water produced as per the production report	Kilolitres of water produced as per the production water loss calculation	Difference
Own resources	3 277 294,00	29 022 882,00	(25 745 588,00)

Authorised Consumption	6 769 773,00	13 024 991,00	(6 255 218,00)
Domestic	3 024 499,00	4 405 026,00	(1 380 527,00)
Non-domestic	3 655 244,00	5 630 528,00	(1 975 284,00)
Domestic unbilled	90 030,00	2 989 437,00	(2 899 407,00)
Water loss	(3 492 479,00)	15 997 891,00	(19 490 370,00)

Furthermore, the Plant production report reflected that an inaccurate negative amount of 9 820 566 kl of water was produced for the month of July 2019 at the uPhongolo plant.

Consequently, this results in a material misstatement on water losses of R14 348 786 disclosed in note 49 to the AFS.

Internal control deficiency

Management did not in all instances perform adequate review of the calculation to ensure that accurate information was used to calculate water losses.

Recommendation

Management should undertake a review the calculation of water losses and ensure that appropriate and accurate information is used to calculate the kilo litres of consumption.

Management response

Agreed, recommendations will be implemented in the following financial year.

Name: RN Hlongwa
Position: CFO
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

2.4 Insufficient supporting evidence provided to substantiate the calculation of prior year water loss

Audit finding

Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is

responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

MFMA circular 71 paragraph 2 B – 2. **Water Distribution Losses (Percentage)** states that "The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold as a result of losses incurred through theft (illegal connections), non- or incorrect metering or wastage as a result of deteriorating water infrastructure. It is expected that implementation of the free basic service policy is included in the calculation for sale of water".

Formula: $(\text{Number of kilolitres water purchased or purified} - \text{Number of kilolitres water sold}) / \text{Number of kilolitres water purchased or purified} \times 100$.

The calculation for the water losses reported in the prior year was submitted on 23 February 2021, however, the plant production report to substantiate the kilolitres of water purchased and purified per the table below was not provided to support the water produced for the following water plants. This item was also qualified in the prior year due to a lack of supporting evidence.

No.	Water supply system	Kilolitres of water produced as per the water loss calculation
1	Vryheid - Bloemveld_Klipfontein	805 866,00
2	Thulasizwe	37 150,00
3	Louwsburg	94 836,00
4	eMondlo	2 419 320,00
5	Ceza	122 778,63
6	Coronation	588 156,00
7	Hlobane	46 668,00
8	Lunerburg School	4 740,00
9	Weibedacht 46	22 524,00
10	Jabula2	14 616,00
11	St Paul	94 236,00
12	Kromellembog _ Gwebu	44 568,00
13	Ntungweni – 17	240,00
14	Ntungweni – 18	7 968,00
15	Lojujuwana	15 648,00
16	Dwaalhoek	1 596,00
17	Belevue Farm 2	528,00
18	Parys Trust 2	1 812,00
19	Mphumelelo	6 312,00
20	Abaqulusi - Atdoro.1	5 100,00
21	Abaqulusi – Groeneweiding	3 528,00
22	Hlazen 1	2 520,00

No.	Water supply system	Kilolitres of water produced as per the water loss calculation
23	Abaqulusi – Kwandeni	8 976,00
24	Abaqulusi – Sihlengeni	20 148,00
25	Abaqulusi – Emsagweni	8 652,00
26	Abaqulusi - Zondo1	4 272,00
27	Abaqulusi - Atdoro.1	18 972,00
28	Abaqulusi – Bethel	10 668,00
29	Abaqulusi - Hlondweni_Senzangakhona	27 744,00
30	Ulundi – Hlungwane	47 124,00
31	Abaqulusi – Esidwadweni	5 448,00
32	Abaqulusi – Sikhwebezi	56 508,00
33	Abaqulusi - Ongane 2	10 668,00
34	uPhongolo - Berdina Trust	2 340,00
35	uPhongolo – Dwarsrand	77 748,00
36	Abaqulusi – Kwakhangela	9 360,00
37	Nongoma – kolubomvu	888,00
38	Nongoma - Hlanganisa project	91 008,00
39	Nongoma – Obhuqwini	14 784,00
40	Nongoma – Mpiyampliya	1 752,00
41	Nongoma – Mlane	8 004,00
42	Nongoma – Ngangayiphi	3 384,00
43	Nongoma – Manyoni	23 292,00
44	Nongoma – Mphola	19 740,00
45	Nongoma – Ndololwaneni	4 032,00
46	Nongoma – Gwebu	5 004,00
47	Nongoma - HLATHI – Esweni	7 200,00
48	Nongoma – Kwandase	4 056,00
49	Nongoma - Phumzile Development	13 932,00
50	Nongoma – KOLWENI	5 544,00
51	Nongoma – Inqonqo	7 704,00
52	Nongoma – NEWGOLI	5 844,00
53	Nongoma – MATSHEMHLOPHE	32 124,00
54	Nongoma - Elanjeni_Msasanani	160 741,32
55	Nongoma – Kwankulu	708,00
56	Enumgwini	4 032,00
57	Nongoma – Kwamfemfeni	2 880,00
58	Ulungi – Kwamfemfeni	4 944,00
59	Nongoma – SIGUBUDU	1 776,00
60	Nongoma – Hlathidumayo	2 076,00
61	Ulundi – Hlathidumayo	7 620,00
62	Ulundi – Madaka	116 964,00
63	Ulundi – Nhluba	1 212,00
64	Ulundi – Thuthukani	36 276,00
65	Ulundi - Njomelwane CWSS	48 132,00
66	Abaqulusi - Esimbomvu_Mvunyane/Simashwini	109 176,00

No.	Water supply system	Kilolitres of water produced as per the water loss calculation
67	Abaqulusi - Ezidulini_Mdundubenzi	140 712,00
68	Abaqulusi - Elosi_Sofaya	67 092,00
69	Abaqulusi - Qweqwe	32 244,00
70	Abaqulusi - Hlahlindlela Qweqwe	56 784,00
Total		5 690 999,96

Furthermore, the following issues were also identified:

- the consumption report for the month of February 2019 was not received from the municipality.
- To calculate unbilled and unmetered consumption, the municipality used the following formula - $((\text{Own resources} - \text{domestic consumption} - \text{non-domestic consumptions})/1,05)$. Supporting documentation to substantiate the use of the 1,05 as a consumption factor for unbilled and unmetered consumption was not provided. Therefore, the validity of the unmetered consumption could be verified.

Consequently, this results in a material limitation of scope on the audit of the prior year water losses stated at R14 348 786 and will be reported in the audit report.

Internal control deficiency

Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support amounts disclosed in the AFS.

Recommendation

Management and the CFO should ensure that all calculations should be supported by relevant and accurate information before being reported in the AFS.

Management response

Agreed, recommendations will be implemented in the following financial year.

Name: RN Hlongwa
Position: CFO
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.



2.5 Inconsistent information submitted by the Municipality

Audit finding

Section 62(1)(c)(i) of MFMA states that: "The accounting officer of a municipality is

responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

During the audit of water losses, the municipality submitted conflicting information for water losses on 19 February 2021. The kilolitres of water produced and purified that the municipality used to calculate the cost per kilolitre does not agree to the kilolitres obtained from the water loss calculation. Refer to the table below for more details:

Description	Calculation of the cost per kilolitre by the Municipality	Calculation of the cost per kilolitre using information as per the water loss calculation
Costs for the water distribution centre	245 216 654,26	245 216 654,26
Kilolitres of water produced		
Revenue Water	66 653 451,62	10 035 555,00
Non-Revenue Water	255 853 000,14	18 987 328,00
Total	322 506 451,76	29 022 883,00
Cost rate per kilolitre	0,76	8,45

Consequently, this results in a material misstatement on water losses of R14 348 786 disclosed in note 49 to the AFS.

Internal control deficiency

Management did not in all instances perform adequate review of the calculation to ensure that accurate information was used to calculate water losses.

Recommendation

Management should undertake a review the calculation of water losses and ensure that appropriate and accurate information is used to calculate the kilo litres of consumption.

Management response

Agreed, recommendations will be implemented in the following financial year.

Name: RN Hlongwa
Position: CFO
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

3. PROCUREMENT AND CONTRACT MANAGEMENT

3.1 Invalid deviation

Audit finding

In terms of Municipal SCM regulation 36(1): A supply chain management policy may allow the accounting Officer

- (a) to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) In an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) to ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

Municipal SCM regulation 36(2) requires that, "The accounting officer must record the reasons for any deviations in terms of sub-regulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements".

During the audit of procurement and contract management it was noted that the following deviations were not due to emergency, single provider or exceptional cases and should have followed the official procurement processes.

No.	Supplier name	Award amount (R)	Expenditure amount (R)	Service rendered and approval	Deviation reasonable
1	Makhongolo Civils & Services	929 035,55	929 035,55	Approved on 14/06/2019 and the services were rendered on 06/08/2019	No, the deviation was not for exceptional case as the reason provided was that the person who was employed as a honey sucker was involved in a strike. The municipality needs to ensure that the honey sucker can be operated by more than one person, This was poor planning by the Municipality.
2	Rostah Trading (Pty) Ltd	483 000,00	483 000,00	Approved on 03/12/2019 and the services were rendered on 12/12/2019	This award was for Hiring of 4 buses transporting players from Vryheid, Ulundi, Pongola and Nongoma to Durban for SALGA games 2019. The reason stipulated in the deviation form was that, "SCM process for quotations was originally followed by the Municipality, however due to work load evaluation was delayed. When the evaluation was eventually done, the offers from suppliers were more than R200 000 and the tender needed to be re-advertised. This was impossible due to time constraints." This is due to poor planning by the municipality.

No.	Supplier name	Award amount (R)	Expenditure amount (R)	Service rendered and approval	Deviation reasonable
3	Durban Club Place Photographic Studio	198 500,00	198 500,00	Approved on 21/02/2020 and services were rendered on 16/03/2020	No, the deviation was not for exceptional case since the reason for deviating is Durban Club Place is the only service provider who provides high quality production and is highly recommended. Photography can be done by other service providers.
4	Encilox (Pty) Ltd	196 693,00	196 693,00	Approved on 01/11/2019 and the services were rendered on 08/12/2019	No, the deviation was not for exceptional case as the reason provided was that the supplier was the only service provider that allows credit account on procurement of petrol and diesel. However, Encilox (Pty) Ltd is not the only supplier of petrol and diesel at Ulundi and supporting documentation to substantiate this was not provided.
5	Mahambaye dwa Trading Enterprise CC	779 518,00	779 518,00	Approved on 28/10/2020 and services were rendered on 29/10/2020	No, the deviation was not for exceptional case since it was not impractical to follow procurement process. The municipality procured seeds for traditional houses due to the fact that there was no proper storage for the seeds. However, given the nature of the procurement the municipality could have obtained 3 formal written quotations and negotiated the date of delivery of the procured seeds with the awarded service provider. There is therefore a lack of proper advance planning, and this is considered irregular expenditure.
6	Fana Manufacturin g CC	361 169,00	361 169,00	Approved on 03/12/2019 and the services were rendered on 12/12/2019	This award was for supply and delivery of sports equipment for Durban for SALGA games 2019. The reason stipulated in the deviation form was that, "SCM process for quotations was originally followed by the Municipality, however due to work load evaluation was delayed. When the evaluation was eventually done, the offers from suppliers were more than R200 000 and the tender needed to be re-advertised. This was impossible due to time constraints." This is due to poor planning by the municipality.
7	Man B and Auto Repairs	321 881,07	321 881,07	Approved on 15/07/2019 and the services were rendered on 16/07/2019	No, the memo states that council took a resolution to dispose water tankers. The process for advertising to lease water tankers is still under way. This resulted in riots around the Zululand District Municipality when the community was complaining about water. The municipality therefore resorted to repair ZDM

No.	Supplier name	Award amount (R)	Expenditure amount (R)	Service rendered and approval	Deviation reasonable
					trucks in order to proceed with service delivery at large and calm the unrest. The municipality could have avoided this deviation had they ensured that a formal SCM process is followed before the water tankers are disposed of. This is therefore an invalid deviation and is due to poor planning by the Municipality
	Total	3 269 796,62	3 269 796,62		

Consequently, irregular expenditure of R3 269 796,62 has been incurred and has not been disclosed on the AFS.

Internal control deficiency

Processes and procedures were not in place to ensure that the requirements of the municipal SCM regulations were adhered to.

Recommendation

The chief financial officer should ensure that SCM regulations are adhered to. These payments should be disclosed as irregular expenditure in the annual financial statements.

Management response

Agree: proper adjustment will be done and proper measures will be implemented to avoid such occurrence in the future.

Name: K Thusi
Position: Manager: SCM
Date: 17/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

3.2 Deviation not approved by the Accounting Officer

Audit finding

Section 36 the Supply Chain Management Regulations states that the Accounting Officer may dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations subject to the completion of the official deviation request form, but only:

In an emergency;

If such goods or services are produced or available from a single provider only;

For the acquisition of special works of art or historical objects where specifications are difficult to compile;

Acquisition of animals for zoos and/or nature and game reserves;

In any other exceptional case where it is impractical or impossible to follow the official procurement processes.

During the audit of procurement and contract management, it was noted that the deviation detailed in the table below was only approved subsequent to the appointment of the service provider:

No.	Supplier	Deviation no.	Transaction description	Deviation reason	Date services were provided	Deviation approval date	Amount
1	Makhongolo Civil and Services	4046	Jetting machine – to unblock sewerage	Emergency procurement	25/11/2019	08/12/2019	R435 111,70
2	Tick tock General Supplies	4024	Food relief parcel for victims affected by the hailstorm	Emergency procurement	24/11/2019	03/12/2019	R249 949,50
	Total						R685 061,20

Consequently, the above invalid deviations result in irregular expenditure of R685 061,20.

Internal control deficiency

Inadequate supply chain management processes were implemented to ensure that deviations were approved in line with the SCM regulations.

Recommendation

The SCM unit should strengthen controls around the SCM process relating to deviations to ensure that at all relevant stages of the procurement process are followed for each order processed and there is no overriding of controls.

Management response

Response	Name	Date
Agree. Due to the nature of the working environment at the time and the availability of all resources to properly follow procedures as stipulated, it was impossible yet nothing was done without the concern of the Municipal manager working from home. As correctly identified that deviation was captured in the system after the event, it was because the availability of the electronic tool system was not accessible immediately by the Municipal manager. However, all deviations were subsequently authorized in the tool to capture deviations	Khulekani Thusi (Manager: Supply Chain)	24/02/2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

3.3 Minimum threshold for local production and content not specified

Audit Finding

In terms of regulation 8 of the Preferential procurement regulations, 2017:

- (1) The Department of Trade and Industry may, in consultation with the National Treasury-
 - a. designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors; and
 - b. stipulate a minimum threshold for local production and content."
 - (2) An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.
 - (3) The National Treasury must inform organs of state of any designation made in terms of regulation 8(1) through a circular.
 - (4) (a) If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.
 (b) The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.
- (5) A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

During the audit of procurement and contract management it was noted that the municipality did not specify the minimum threshold for local production and content in respect of the following:

No.	Quotation no.	Description	Supplier awarded to	Awarded amount	Expenditure amount
1	ZDMQ 0014/08/2020	Supply and delivery of 400 T-Shirts for the Golden Games at Margate UGU District Municipality 10-12 September 2019	Fana Manufacturing	R38 180,00	R38 180,00
2	ZDMQ 0015/08/2020	Supply and delivery of Tracksuit for the Golden Games at Margate UGU District Municipality 10-12 September 2019	Ekaya Promotion	R88 500,00	R88 500,00
3	ZDMQ 0016/08/2020	Supply and delivery of Bags and Hats for the Golden Games at Margate UGU District Municipality 10-12 September 2019	Ekaya Promotion	R20 815,00	R20 815,00
4	ZDMQ 018/08/2020	Supply and delivery of Supply and installation of new cable at House of Traditional Leader In Ulundi.	Lucky day trading	R87 400,00	R87 400,00



No.	Quotation no.	Description	Supplier awarded to	Awarded amount	Expenditure amount
	Total			R234 895,00	R234 895,00

Consequently, expenditure incurred in respect of the above contracts results in irregular expenditure amounting to R234 895 which must be disclosed in the financial statements.

Internal control deficiency

Management did not ensure that items making up the minimum threshold were documented in the SCM specifications.

Recommendation

The minimum threshold for local content and production must be specified on the advertisements and tenders must be properly evaluated to ensure that the successful suppliers meet the stipulated minimum threshold.

Management response

Agree: proper adjustment will be done and proper measures will be implemented to avoid such occurrence in the future.

Name: K Thusi
Position: Manager: SCM
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

3.4 Goods procured at prices higher than MFMA Circular Annexure A prices

Audit finding

In response the National State of Disaster declared by President Cyril Ramaphosa on 15 March 2020 following a declaration by the World Health Organisation of the COVID-19 outbreak as a pandemic, the National Treasury released a series of Circulars with the purpose of prescribing the emergency procedures to deal with the COVID-19 pandemic and to avoid the abuse of the supply chain management (SCM) system to deal with the disaster.

Paragraph 3.7.6 of MFMA Circular 100 of 2019-20 states that municipalities and municipal entities may approach any other supplier to obtain quotes and may procure from such suppliers on condition that:

- The items are to the specifications as determined by the National Department of Health;
- The prices are equal to or lower than the prices in Annexure A; and
- The supplier is registered in the Central Supplier Database.

A review of transactions entered into in response to the pandemic revealed that the municipality entered into transactions at prices in excess of the prices determined per annexure A to MFMA Circular 100 of 2019-20:

1.1 Annexure A to MFMA Circular 100 of 2019-20

1.1.1 Procurement of 500ml hand sanitizers

Prices for 500ml hand sanitizers is R103,50 each as per Annexure A to MFMA Circular 100 of 2019-20:

On assessment of transactions entered into for 500ml hand sanitizers, it was noted that the following were procured in excess of Annexure A prices:

No.	Supplier	Order no.	Order date	Price per unit	Annexure A Price	No. of units ordered	Estimated loss on units received
1	MANTIMANDE PROJECTS PTY LTD			R124,00	R103,50	1 000	R20 500,00
2	MANTIMANDE PROJECTS PTY LTD			R168,50	R103,50	2 000	R130 000,00
							R150 500,00

Consequently, this results in irregular expenditure of R150 500.

1.1.2 Procurement of surgical face masks

Prices for a single surgical face mask is R18,40 each as per Annexure A to MFMA Circular 100 of 2019-20:

On assessment of transactions entered into for surgical face masks, it was noted that the following was procured in excess of Annexure A prices:

No.	Supplier	Order no.	Order date	Price per unit	Annexure A Price	No. of units ordered	Estimated loss on units received
3	MANTIMANDE PROJECTS PTY LTD			R56,00	R18,40	2 000	R75 200,00
							R75 200,00

Consequently, this results in irregular expenditure of R75 200.

1.1.3 Procurement of natural rubber latex gloves

Prices for a box of 100 gloves is R49,89 as per Annexure A to MFMA Circular 100 of 2019-20:

On assessment of transactions entered into for surgical face masks, it was noted that the following were procured in excess of Annexure A prices:

No.	Supplier	Order no.	Order date	Price per unit	Annexure A Price	No. of units ordered	Estimated loss on units received
4	MANTIMANDE PROJECTS PTY LTD			R580,00	R49,89	100	R53 011,00
5	NEO GASPER TRADING AND PROJECTS PTY LTD			R95,00	R49,89	700	R31 577,00
							R84 588,00

Consequently, this results in irregular expenditure of R84 588.

1.1.4 Procurement of visor face shields

Prices for visor face shields is R115,00 as per Annexure A to MFMA Circular 100 of 2019-20:

On assessment of transactions entered into for visor face shields, it was noted that the following was procured in excess of Annexure A prices:

No.	Supplier	Order no.	Order date	Price per unit	Annexure A Price	No. of units ordered	Estimated loss on units received
6	SPHERICH (PTY) LTD			R390,00	R115,00	50	R13 750,00
							R13 750,00

Consequently, this results in irregular expenditure of R13 750.

The above procurement at uneconomical prices results in non-compliance with section 62(1)(a) of the MFMA.

Internal control deficiency

Inadequate supply chain management processes have been implemented to ensure that prices paid for goods relating to COVID-19 are in line with the requirements of the MFMA Circulars.

Recommendation

The supply chain management unit should strengthen controls over compliance with all issued MFMA Circulars to ensure that the municipality does not encounter losses due to paying for goods at prices higher than already negotiated prices.

The accounting officer should investigate the reasons for procuring of items at prices higher than Annexure A prices. The amounts identified as the losses incurred should be reported accordingly and recovered from those accountable.

Management response

Agree: proper adjustment will be done and proper measures will be implemented to avoid such occurrence in the future.

Name: K Thusi
Position: Manager: SCM
Date: 24/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.



4. EXPENDITURE MANAGEMENT

4.1 Reasonable steps not taken to prevent irregular expenditure

Audit finding

Section 62 (1) (d) of MFMA states: The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must take all reasonable steps to ensure— that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented

During the audit of compliance on expenditure management, it was noted that reasonable steps were not taken to prevent irregular expenditure amounting to R35,7 million as disclosed in note 48 to the annual financial statements. The majority of the Irregular expenditure was caused by non-compliance relating to the composition of the bid adjudication committee and SCM processes not followed.

Consequently, this results in material non-compliance with legislation mentioned above and will be reported in the audit report.

Internal control deficiency

Management did not take reasonable steps to ensure irregular expenditure is prevented

Recommendation

Going forward, management should take reasonable steps to ensure that Irregular expenditure is prevented

Management response

The matter has been reported to Council. The process is still unfolding to attend to process of discipline.

Name: P M Manqele

Position: Municipal Manager

Date: 19/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.



5. REVENUE MANAGEMENT

5.1 Adequate system for recognition of revenue not in place

Audit finding

Section 64(2)(e) of MFMA states that, the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which:

- i) recognises revenue when it is earned;
- ii) accounts for debtors; and
- iii) accounts for receipts of revenue.

Section 64(2)(f) of MFMA states that, the accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed.

During the audit of revenue from exchange transactions: service charges, it was noted that consumers were being billed on interim charges using a system that was inconsistent and not re-performable and thus the accuracy of the amounts billed could not be confirmed. This resulted in the amount relating to revenue and receivables being materially misstated.

Consequently, this results in material non-compliance with legislation mentioned above and will be reported in the audit report.

Internal control deficiency

Management did not take reasonable steps to ensure that the municipality had and maintained an adequate management, accounting and information system which accounts for revenue and debtors and an effective system of internal control for debtors and revenue was not in place.

Recommendation

- Management should ensure that reasonable steps are taken to ensure that the municipality has and maintains an adequate management, accounting and information system which accounts for revenue and debtors as required by section 64(2)(e)
- Management should ensure that an effective system of internal control for debtors and revenue is put in place.

Management response

Agreed to the finding.

Name: N Hlongwa

Position: CFO

Date: 19/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.



6. AUDIT OF PRE-DETERMINED OBJECTIVES

6.1 Performance indicators reported in the APR are not verifiable

Audit finding

In terms of chapter 3.2(b) of The Framework for Managing Programme Performance Information (FMPPI): A good performance indicator should be:

Verifiable: it must be possible to validate the processes and systems that produce the indicator.

While evaluating the performance indicators and related targets, it was noted that the municipality did not have mechanisms in place to determine which individuals in the community earn less than R1 600 and therefore could not provide information to validate the processes and systems that produce the indicator. Refer to the table below for the applicable indicators:

Planned Indicators per annual planning document	Reported Indicators per APR	Planned targets per annual planning document	Planned targets per APR	Calculation of planned target as per the APR	Reported actual achievement per APR	Calculation of actual achievement as per the APR
Sec 43(Reg 10 (b): Percentage of households earning less than R1 600 pm with access to free sanitation (890)	Sec 43(Reg 10 (b): Percentage of households earning less than R1 600 pm with access to free sanitation (890)	64.34 %	64.34 %	573/890 (no. of households connected in the year/ total annual target for municipality)	63%	557/890 (no. of households connected in the year/ total annual target for municipality)
Sec 43(Reg 10 (b): Percentage of households earning less than R1 600 pm with access to free water (Note: Rudimentary LOS Included) (710)	Sec 43(Reg 10 (b): Percentage of households earning less than R1 600 pm with access to free water (Note: Rudimentary LOS Included) (710)	49.77 %	49.77 %	353/710 (no. of households connected in the year/ total annual target for municipality)	0%	0/710 (no. of households connected in the year/ total target for municipality)

Consequently, this results in a limitation of scope on the audit of the above indicators.

Internal control deficiency

Management did not in all instances exercise adequate oversight responsibility to ensure that the performance indicators and related targets were as per the requirements set out in the FMPPI.



Recommendation

The performance manager should review of the performance indicators and related targets to ensure that they align with the requirements of the FMPPi.

Management response

Response	Name	Date
Agreed. These indicators are now measured in numbers not in percentages.	Nhlakanipho Mvelase (Deputy General Manager: PMS)	11/12/2020
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

6.2 Supporting documents not available

Audit finding

In terms of paragraph 5.2 of the Framework for managing program performance information, "The accounting officer or head official of an institution is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store information."

In terms of chapter 3.2(b) of The Framework for Managing Programme Performance Information (FMPPi): A good performance indicator should be

Verifiable: it must be possible to validate the processes and systems that produce the indicator.

While evaluating the performance indicators and related targets, it was noted that the municipality does not have supporting documents or schedules to support the denominator used to calculate the percentage achieved for the following indicators:

KPI no.	Indicator	Denominator as per APR	Auditors Comment
6	Sec 43 (Reg 10 (a)) : Percentage of households with access to basic level of water (930)	930	Enquired with PMS Deputy General Manager and he stated that the denominator is just an estimate and they do not have any supporting schedules or listings.
7	Sec 43 (Reg 10 (a)): Percentage of households with access to basic level of sanitation (890)	890	
8	Sec 43 (Reg 10 (b)): Percentage of households earning less than R1 600 pm with access to free sanitation (890)	890	

KPI no.	Indicator	Denominator as per APR	Auditors Comment
9	Sec 43 (Reg 10 (b)): Percentage of households earning less than R1 600 pm with access to free water (Note: Rudimentary LOS included) (710)	710	

Consequently, this results in a limitation of scope on the audit of the above Indicators.

Internal control deficiency

The performance manager did not ensure that there was supporting documentation to substantiate all the variables reported in the Annual performance report.

Recommendation

The performance manager should ensure that there is sufficient and appropriate supporting documentation to adequately support the denominator for all reported Indicators.

Management response

Response	Name	Date
Agreed. These Indicators are now measured in numbers not in percentages.	N G Mvelase (Deputy General Manager: PMS)	10.02.2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

6.3 Weaknesses in the performance management system

Audit finding

Municipal Planning and Performance Management Regulation 7(1) states that: "A municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players."

While evaluating the performance management system, it was noted that the municipality's performance management system and related controls were inadequate as it did not specifically describe how the performance measurement processes should be conducted. This was confirmed by the material findings raised on various Indicators in Communication 07 on 01 December 2020 and Communication 25 on 09 February 2021.

Consequently, this results in material non-compliance and will be reported in the audit report.

Internal control deficiency

Management did not in all instances exercise adequate oversight responsibility to ensure that the performance management system aligns to the requirements of the Municipal Planning and Performance Management Regulations.

Recommendation

The performance manager should review of the performance system and make necessary amendments to ensure that it aligns with the requirements of Municipal Planning and Performance Management Regulations.

Management response

Agreed to the finding.

Name: N Mvelase

Position: Deputy General Manager: PMS

Date: 19/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure A of this report and management's implementation plan will be followed up in the next financial year.

Annexure B: Other important matters

7. PROCUREMENT AND CONTRACT MANAGEMENT

7.1 Supplier in which business partner of employee has an interest

Audit finding

In terms of section 62(1)(c)(i) of the MFMA: "The accounting officer of a municipality is responsible for the managing of the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control."

MFMA SCM Regulations 46(2)(e) states that: "A municipal code of ethical standards must stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality or municipal entity must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality or municipal entity."

In terms of section 5(1) of the MSA schedule 2: Code of conduct for municipal staff member: "A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council."

During the audit, the following employees were identified as having an interest in the supplier:

No.	Name of person	Position	Name of close family member/ partner/ associate	Relationship to person in service of the auditee	PARTNER_IN_ENT_NAME	Supplier name	Amount
1	Mr GM Qwabe	ISD Officer	Mbube Vusi	Business partner	Intokozo Yethu2 Agricultural Farming Co-Operative Limited	Momotheka Trade 1014 CC	R1 211 009,80
2	Miss SE Mzobe	Environment Health Practitioner	Mzobe Samukelo Cyprian	Business partner	Insada Projects	Inkunzi Anchors Pty Ltd	R211 502,00
3	Mr TM Xulu	Fire Fighter	Khanyile Siindile Precious	Business partner	Property Investment Primary Co-Operative Ltd	Umcebo Kasogodi Trading	R175 100,00

No.	Name of person	Position	Name of close family member/ partner/ associate	Relationship to person in service of the auditee	PARTNER_IN_ENT_NAME	Supplier name	Amount
4	Miss SE Mzobe	Environment Health Practitioner	Mzobe Samukelo Cyprian	Business partner	Insada Projects	Iphanta Group (Pty) Ltd	R46 000,00
							R1 643 611,80

Internal control deficiency

Management did not ensure proper checks were performed to ensure employees with an interest in a supplier had been declared.

Recommendation

Management should investigate the validity of the interest and provide evidence that the employee had disclosed their interest in the supplier.

Management response

Response	Name	Date
Tender Acknowledged and Agreed: however, the said employees do not seek or influence the tender processes.	Khulekani Thusi	12/02/2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

7.2 Supplier in which spouse of employee has an interest**Audit finding**

In terms of section 62(1)(c)(i) of the MFMA: "The accounting officer of a municipality is responsible for the managing of the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control."

MFMA SCM Regulations 46(2)(e) states that: "A municipal code of ethical standards must stipulate that an official or other role player involved in the implementation of the supply chain management policy of the municipality or municipal entity must declare to the accounting officer details of any

private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality or municipal entity."

In terms of section 5(1) of the MSA schedule 2: Code of conduct for municipal staff member: "A staff member of a municipality who, or whose spouse, partner, business associate or close family member, acquired or stands to acquire any direct benefit from a contract concluded with the municipality, must disclose in writing full particulars of the benefit to the council."

During the audit, the following employee's spouse was identified as having an interest in the supplier:

No.	Name of person	Position	Name of close family member/partner/associate	Relationship to person in service of the auditee	Supplier name	Amount
1	Mr EB Mdlalose	ISD Officer	Mdlalose Nonhlanhla Princess	Spouse	Sekusile Development Practitioners Cc	R569 527,37

Internal control deficiency

Management did not ensure proper checks were performed to ensure employees with an interest in a supplier had been declared.

Recommendation

Management should investigate the validity of the interest and provide evidence that the employee had disclosed their interest in the supplier.

Management response

Response	Name	Date
Finding acknowledged and agreed: the said employee is not involved in the tender processes.	Khulekani Thusi	12/02/2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

8. INVENTORY

8.1 Understatement of water stock

Audit Finding

Paragraph 17 of GRAP 1 *Presentation of financial statements* requires that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Paragraph 18 of GRAP 12 *Inventories* states: Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

- (a) distribution through a non-exchange transaction. or
- (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

During the audit of inventories, it was noted that water held for distribution amounted to R57 988 as disclosed in note 9 to the financial statements for both current and prior year.

A recalculation was conducted for the current period using water stock quantities held as per the 30 June 2020 stock count report and the following difference was noted.

Inventory	Water stock as at 30 June 2020 (m3/kl)	Cost rate per KL as per year end water loss	Recalculated balance	Balance as per note 9	Difference
Water for distribution	56 984,25	R14.91	R 849 635	R57 988	R791 647

Consequently, water inventory is understated by R791 647.

Internal control deficiency

Management did not perform an adequate review of the water stock account balance to confirm the accuracy and valuation thereof.

Recommendation

Management should review water stock held for distribution balance at year end to ensure it is accurate and correctly valued and make the necessary adjustments. All proposed adjustments to the AFS must be provided together with supporting documents for audit prior to being made.

Management response

Response	Name	Date
Agreed. A journal will be processed to reduce bulk water purchases to increase water stock by the identified difference.	T D Sibiyi (Deputy Chief Financial Officer)	10.02.2021



Action to address finding	Responsible official	Due date
Annual Financial Statements will be amended accordingly	T D Sibiya (Deputy Chief Financial Officer)	10.02.2021

Auditor's conclusion

Management's comments are noted. The total misstatement is not material and will be included in the schedule of uncorrected misstatements.

9. OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

9.1 Non-current other receivables from exchange transactions recognised as current

Audit finding

In terms of paragraph 17 of GRAP 1 – *Presentation of Financial Statements*, financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation.

Furthermore, in terms of accounting policy note 1.10 to the financial statements, "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 year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable are 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.

During the audit of other receivables from exchange transactions, it was noted that the following debtors were recognised and disclosed as current assets even though there was no payment made relating to these accounts in the past 12 months:

#	Debtor	2019/20	2018/19	Assessment of debtor
1	Debtor: Tracker	R134 248	R134 248	There has been no movement relating to these debtors in the past 12 months and as per the accounting policy, these amounts should be tested for impairment by discounting expected future cash flows to their present value. This was not performed by the municipality. Thus, the recoverability of these amounts could not be confirmed.
2	Debtor: KZN Aviation	R1 950	R1 950	
3	Debtor: World focus	R284 241	R284 241	
	TOTAL	R420 439	R420 439	

Furthermore, the municipality did not perform an impairment test relating to these debtors to determine whether the full amount is recoverable, as required by the accounting policy stated above.

Consequently, current assets: other receivables from exchange transactions are overstated by R420 439.

Internal control deficiency

Management did not adequately review the annual financial statements to ensure that other receivables from exchange transactions were accounted for appropriately.

Recommendation

- Management should review the annual financial statements and provide us with copies of the proposed adjusting journal entries/ proposed adjustments and the supporting documentation.
- Going forward, management should ensure that the financial statements submitted for audit are adequately reviewed.

Management response

Response	Name	Date
Agreed to the finding.	S Msihi (Deputy Chief Financial Officer)	16/02/2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management's comments are noted. The total misstatement is below materiality and will be included in the schedule of uncorrected misstatements.

10. COVID-19 EXPENDITURE

10.1 Preventative controls not implemented

Audit finding

In response the National State of Disaster declared by the President, Cyril Ramaphosa, on 15 March 2020, following the declaration by the World Health Organisation of the COVID-19 outbreak as a pandemic, the National Treasury released a series of Circulars with the purpose of prescribing the emergency procedures to deal with the COVID-19 pandemic and to avoid the abuse of the supply chain management system (SCM) to deal with the disaster.

MFMA circular 103, paragraph 3, of 2020 on the control environment during the national state of disaster states the following:

- Accounting officers are to ensure that risk assessment is conducted regularly to identify emerging risks. The revised risk profile must be used to direct internal audit effort and priorities.
- The risk management strategy referred to in paragraph 3.4 must be clearly communicated to all officials to ensure the strategy is institutionalised.
- Accounting officers must consider reviewing previous risk assessments (e.g. enterprise risk assessments, fraud risk assessments, information technology risk assessments, etc.), re-assess risk rankings and modify mitigation plans. Any information resulting from this process should also be recorded in related risk registers.
- Mitigation plans referred to in paragraph 3.7 must be assessed for its effectiveness against the business continuity plan and record any remedial action, where necessary.
- Identification of governance documentation to amend and prioritise such changes to best address operational needs, such as introducing the use of electronic/digital signatures.
- Amendments of delegations of authority and segregation of duties in response to the national state of disaster.

During an assessment of the implementation of preventative controls as required by MFMA Circular 103, it was noted that the municipality failed to implement preventative controls in the following instances:

Requirement	Non-compliance
MFMA Circular 103, par 3.4	The internal audit plan was not amended to address the results of the risk assessments done in March 2020.
MFMA Circular 103, par 3.5	The risk management strategy was not communicated to all officials
MFMA Circular 103, par 3.7	Management did not review the previous risk assessments, re-assess risk rankings or modify mitigation plans (since March 2020).
MFMA Circular 103, par 3.8	Management did not assess its mitigation plans for effectiveness against the business continuity plan and record remedial action, where necessary (since March 2020)
MFMA Circular 103, par 3.9	Management did not amend any governance documentation to address operational needs such as introducing the use of electronic/digital signatures.
MFMA Circular 103, par 3.10	Management did not amend the delegations of authority and segregation of duties in response to the national disaster.

Consequently, the lack of preventative controls results in a weak control environment, which could lead to possible irregular expenditure.

Internal control deficiency

Management did not ensure that adequate preventative controls were in place to address the risk of abuse of supply chain management processes as required by MFMA Circular 103.

Recommendation

Management should ensure that adequate preventative controls are in place and are implemented effectively.

Management response

Response	Name	Date
Agreed. The requirements of MFMA Circular 103 will be implemented.	P M Mankole (Municipal Manager)	10/02/2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

10.2 Food vouchers not distributed according to qualification criteria

Audit finding

In terms of section 62(1)(a) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

In response the National State of Disaster declared by the President, Cyril Ramaphosa, on 15 March 2020, following the declaration by the World Health Organisation of the COVID-19 outbreak as a pandemic, the Zululand District Municipality established the Disaster Management Response Team which was formed to enforce regulations and to educate the community on measures to combat the spread of the Covid-19 pandemic.

The municipality launched a food relief program in order to mitigate poverty through providing food vouchers, valued at R1 000 each. The following criteria established by the municipality was used to determine the beneficiary's eligibility for the food vouchers:

The beneficiary must be a permanent resident of Zululand and above 18 years of age
Household income must be less than R2 000 per month
ID copy to accompany application form

During the audit of Covid-19 expenditure, it could not be confirmed whether the following beneficiaries met the second requirement as indicated above, as there was no supporting evidence accompanying the application form to confirm that the household income was less than R2 000.



No.	Name	ID number	Value of voucher
1	Buthlezi Bonga Norman	6504055883081	R1 000
2	Masondo Thembekile Cynthia	6301250708084	R1 000
3	Khumalo Ntombi	6303250855089	R1 000
4	Mpanza Sibongile	5504060697089	R1 000
5	Charlie Ayabonga	9611190730080	R1 000
6	Jiyane Ntombikayise Thembi	7502270746082	R1 000
7	Ndaba Sifundo	9902075637080	R1 000
8	Dlongolo Nokuthula	7801250881087	R1 000
9	Hlophe Smart Petros	7610165929083	R1 000
10	Kruger Christiaan	4703285038084	R1 000
11	Magagula Felicity	7608061156082	R1 000
12	Zulu Tholakele	7104300394080	R1 000
13	Jojwana Fikile	8108010719089	R1 000
14	Shongwe Buselaphi	8312221037089	R1 000
15	Nene Maoyi	5010265485080	R1 000
16	Botman-Lushaba Thembeke Florah	6408170396088	R1 000
17	Zungu Mapono	7209241356088	R1 000
18	Gumbi Petros	5801085371082	R1 000
19	Silo Andreas Mishack	6605135465086	R1 000
20	Xaba Sphamandla	9201266265084	R1 000
TOTAL			R20 000

In addition, it was noted that food vouchers were distributed to the following councillors on the condition that these be distributed to members of the community at the discretion of the councillor. No evidence could be provided that these food vouchers were distributed to the intended recipients or that the beneficiaries met the eligibility criteria per the municipality's food relief program.

No.	Name	Community	Value of vouchers distributed
1	CLLR AM Mncwango	Nongoma	R50 000
2	CLLR MM Mhlungu	Abaqulusi	R20 000
3	CLLR IS Nkosi	Uphongolo	R20 000
4	Hon. TD Buthlezi	Abaqulusi	R12 000
TOTAL			R102 000

Consequently, it could not be confirmed whether the food vouchers, valued at R122 000, were distributed to eligible and deserving beneficiaries.

Internal control deficiency

Management did not ensure that adequate internal controls were in place for the distribution of food vouchers.

Recommendation

The accounting officer should ensure that adequate internal controls are designed around the distribution of food vouchers.
A comprehensive checklist should be introduced to ensure that all applicants meet the qualification criteria for food vouchers.



Management response

Response	Name	Date
Disagree. The list for voucher beneficiaries were given to Izinduna & local ward councilors, who were tasked with the identification of household with low income as the major to ensure alignment with the criteria of R2000.00. During the period of Covid it was impossible for the municipality to obtain such information.	R Gumede (Deputy General Manager: Indonsa)	09 February 2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management's comments are noted. The finding will remain in Annexure B of this report until the list of voucher beneficiaries that was submitted to Izinduna is received and reviewed.

10.3 Deviations not reported to council**Audit finding**

Paragraph 36(2) of the Supply Chain Management Regulations states that the accounting officer must record the reasons for any deviations in terms of sub regulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

During the audit of deviations, it was noted that the following deviations were not reported to council at the council meeting following the deviation:

#	Supplier	Description	Deviation no.	Deviation date	Amount	Minutes of council meeting - Inspected
1	EKHAYA PROMOTION	HAND SANITISERS	DEV4069	24/03/2020	R833 750,00	14/05/2020
2	SPHERICH (PTY) LTD	PROTECTIVE CLOTHING AND HAND SANITISERS	DEV4113	18/04/2020	R199 900,00	14/05/2020
3	MANTIMANDE PROJECTS PTY LTD	SURGICAL MASKS,GLOVES AND SANITISERS	DEV4112	07/04/2020	R280 000,00	14/05/2020
4	NEO GASPER TRADING AND PROJECTS PTY LTD	HAND SANITISER, FACE MASKS , HAND GLOVES	DEV4091	04/06/2020	R197 415,50	30/08/2020
5	NSAKANS PTY LTD	UNIFORM & PROTECTIVE CLOTHING	DEV4083	30/04/2020	R1 167 000,00	14/05/2020
6	ORIGINS PROPERTIES	WALKTHROUGH SANITIZERS	DEV4118	08/05/2020	R307 050,00	14/05/2020
7	EKHAYA PROMOTION	HAND SANITISERS	DEV4107	03/03/2020	R333 500,00	14/05/2020
8	NEO GASPER TRADING AND PROJECTS PTY LTD	INDONSA MATERIAL FOR SEWING OF MASKS	DEV4114	03/04/2020	R197 500,00	14/05/2020
9	ORIGINS PROPERTIES	WALKTHROUGH METAL TEMPERATURE DETECTORS	DEV4115	30/04/2020	R563 987,40	14/05/2020
10	ROSTAH TRADING	HAND SANITISER	DEV4109	24/04/2020	R192 000,00	14/05/2020
11	MICROLIFE INVESTMENT	HAND SANITISER	DEV4111	24/04/2020	R199 000,00	14/05/2020
12	AMAZING STAR INVESTORS	PPE	DEV4146	24/04/2020	R199 500,00	14/05/2020
13	THINK ABOUT TRADING ENTERPRISE	PORTABLE THERMOMETERS DECTECTORS	DEV4120	13/05/2020	R241 500,00	14/05/2020



#	Supplier	Description	Deviation no.	Deviation date	Amount	Minutes of council meeting inspected
14	EKHAYA PROMOTION	HAND SANITISERS	DEV4108	31/03/2020	R333 500,00	14/05/2020
15	MANTIMANDE PROJECTS PTY LTD	HAND SANITISER	DEV4093	05/04/2020	R337 000,00	14/05/2020
				TOTAL	R5 592 602,90	

Consequently, the above non-compliance results in irregular expenditure of R5 592 602,90.

Internal control deficiency

Supply chain management processes over compliance control checks were insufficient as they did not adequately ensure that all deviations were reported as required by paragraph 36(2) of the SCM regulations.

Recommendation

The supply chain management unit should strengthen all processes over compliance checks to ensure that all deviations are reported to council timeously.
A comprehensive checklist should be attached to all procurement and should cover all of the required checks to be performed on Covid-19 transactions.

Management response

Response	Name	Date
Acknowledge the finding, and I agree: we report the deviations as per the system information, however due to system problems, the Deviations were uploaded late (20/21 FY), hence were reported on our mid-year report, however we will do the adjustment on our financial statements and include them in the deviation register. We still do maintain that they are deviations though instead of irregular.	Khulekani Thusi	10/02/2021
Action to address finding	Responsible official	Due date
Report the deviations to Council	CFO	Reported Mid-year report 29/01/2021

Auditor's conclusion

Management's response is acknowledged; however, it is still non-compliance. The finding will remain in Annexure B of this report.

10.4 Deviations not disclosed

Audit finding

Paragraph 36(2) of the Supply Chain Management Regulations states that the accounting officer must record the reasons for any deviations in terms of sub regulation(1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.

During the audit of deviations, it was noted that the following deviations were not included in the amount disclosed in note 49 to the financial statements:

#	Supplier	Description	Deviation no.	Deviation date	Amount
1	SPHERICH (PTY) LTD	PROTECTIVE CLOTHING AND HAND SANITISERS	DEV4113	16/04/2020	199 900,00
2	MANTIMANDE PROJECTS PTY LTD	SURGICAL MASKS,GLOVES AND SANITISERS	DEV4112	07/04/2020	290 000,00
3	ORIGINS PROPERTIES	WALKTHROUGH SANITIZERS	DEV4118	06/05/2020	307 050,00
4	EKHAYA PROMOTION	HAND SANITISERS	DEV4107	03/03/2020	333 500,00
5	NEO GASPER TRADING AND PROJECTS PTY LTD	INDONSA MATERIAL FOR SEWING OF MASKS	DEV4114	03/04/2020	197 500,00
6	ORIGINS PROPERTIES	WALKTHROUGH METAL TEMPERATURE DETECTORS	DEV4115	30/04/2020	563 987,40
7	ROSTAH TRADING	HAND SANITISER	DEV4109	24/04/2020	192 000,00
8	MICROLIFE INVESTMENT	HAND SANITISER	DEV4111	24/04/2020	199 000,00
9	AMAZING STAR INVESTORS	PPE	DEV4146	24/04/2020	199 500,00
10	THINK ABOUT TRADING ENTERPRISE	PORTABLE THERMOMETERS DECTECTORS	DEV4120	13/05/2020	241 500,00
11	EKHAYA PROMOTION	HAND SANITISERS	DEV4108	31/03/2020	333 500,00
				TOTAL	3 057 437,40

Consequently, deviations disclosed in note 49 to the financial statements is understated by R3 057 0437,40.

Internal control deficiency

Management did not adequately review the financial statements to ensure that the disclosure relating to deviations was complete.

Recommendation

Management should review the financial statements and make the necessary adjustments. Management should ensure that the financial statements submitted for audit are adequately reviewed.

Management response

Response	Name	Date
Finding Acknowledge and I Agree: the management will do the adjustments to Note 49 and include the deviations though some are included in the figure however those that are left out will be adjusted properly.	Khulekani Thusi	10/02/2021
Action to address finding	Responsible official	Due date
Deviation schedule will include all deviations inclusive of those that are not yet in the financial system	CFO	ongoing

Auditor's conclusion

Management's response is acknowledged; however, it is still non-compliance. The finding will remain in Annexure B of this report.

11. AUDIT OF PRE-DETERMINED OBJECTIVES

11.1 Performance indicators reported in the APR not verifiable

Audit finding

In terms of chapter 3.2(b) of the Framework for Managing Programme Performance Information (FMPPi): A good performance indicator should be:

Verifiable: it must be possible to validate the processes and systems that produce the indicator.

Relevant: the indicator must relate logically and directly to an aspect of the institution's mandate, and the realisation of strategic goals and objectives.

On evaluating the performance indicators and related targets for the indicators listed in the table, the following was noted:

- the municipality does not have processes and systems in place to ensure that the data used for indicators is collected consistently and it is measured accurately,
- the municipality could not provide information to substantiate the calculation of the target for the indicators below,
- the municipality's management approved indicators which were included in its SDBIP, IDP and APR that do not fall under their mandate and
- The numerator and the denominator used to calculate the target for the indicators below could not be provided for audit.

KPI no.	Indicator	Planned target as per the APR	Actual achievement as per the APR
1	Percentage of clinics throughout the district with access to water by specified date	100%	0%
2	Percentage of schools throughout the district with access to water by specified date	100%	0%

Consequently, this results in a limitation of scope on the audit of the above indicators.

Internal control deficiency

Management did not perform an adequate assessment of whether the reported indicators align to the core functions of the municipality.

Management did not ensure that the reported indicators were supported by detailed processes and systems to ensure that the relevant information was collected consistently and measured accurately.

Recommendation

The performance manager should review of the performance indicators and related targets to ensure that they align with the requirements of the FMPPi.



Management response

The Management agrees with the Audit finding. The KPIs have been revised for 2020/2021 Financial year. All the KPIs that are not the mandate of local government have been removed and the SMARTNESS of KIPs have been ensured.

Name: NG Mvelase

Position: Deputy General Manager: PMS

Date: 10/02/2021

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

11.2 Performance indicators reported in the APR are not well-defined**Audit finding**

In terms of chapter 3.2(b) of The Framework for Managing Programme Performance Information (FMPPI): A good performance indicator should be

Well-defined: the indicator needs to have a clear, unambiguous definition on so that data will be collected consistently, and be easy to understand and use.

The Indicator has an ambiguous definition as it is not clear to understand what it aims to achieve and how this should be measured. This resulted in inconsistencies between the unit of measure as per the SDBIP and the how the information was actually collected and reported on in the APR. Refer to the table below for details

KPI no.	Indicator	Unit of measure as per the APR	Planned target as per the APR	Unit of measure as per the supporting schedule	Actual as per the APR	Auditors Comment
18	Water supply interruption time per plant less than specified target	Hours	5	Number	3.8	a) The unit of measure for this indicator is hours as stated in the SDBIP and the APR. However, when the supporting documents were inspected, the municipality reported on the average number of instances the plants broke down in the current year (i.e. the plants with the highest number of breakdowns (notices issued) for each quarter divided by the number of quarters (4))

Consequently, this results in a limitation of scope on the audit of the above indicator.

Internal control deficiency

Management did not in all instances exercise adequate oversight responsibility to ensure that the performance indicators and related targets are as per the requirements set out in the FMPPI.



Recommendation

The performance manager should perform the review of the performance indicators and related targets to ensure that they align with the requirements of the "The Framework for Managing Programme Performance Information (FMPPI)".

Management response

The finding is noted; however, the Indicator is well-defined, it is only the unit of measure which does not talk to the Indicator, it is measured in hours instated of average number. The unit of measure will be corrected and the corrected report will be submitted to auditors	Nhlakanipho Mvelase (Deputy General Manager: PMS)	11/12/2020
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

12. CASH FLOW STATEMENT

12.1 Inaccuracies on the cash flow statement and note 39

Audit Finding

Paragraph 17 of GRAP 1 *Presentation of financial statements* requires that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation

Paragraph 17 of GRAP 2: Cash flow statements states that: The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which cash outflows have been made for resources which are intended to contribute to the entity's future service delivery. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment;
- b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

Paragraph 18 states that: The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Examples of cash flows arising from financing activities are:

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short- or long-term borrowings;
- b) cash repayments of amounts borrowed; and
- c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease

Paragraph 19: An entity shall report cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Paragraph 20: The direct method provides information which may be useful in estimating future cash flows. Under the direct method, information about major classes of gross cash receipts and gross cash payments may be obtained either:

- a) from the accounting records of the entity; or
- b) by adjusting operating revenues, operating expenses (interest and similar revenue, and interest expense and similar charges for a public financial institution) and other items in the statement of financial performance for:
 - (i) changes during the period in inventories and operating receivables and payables;
 - (ii) other non-cash items; and
 - (iii) other items for which the cash effects are investing or financing cash flows.



During the audit of the cash flow statement and note 39 on cash generated from operations, the following errors were noted:

1. The following non-cash items which appear on the statement of financial performance were not adjusted for in determining the net cash flows from operations in note 39:

Adjustments to surplus	As per Note 39	Re-performance	Difference
Loss on donated assets	-	37 388	(37 388)
Inventory write downs	-	(1 138 323)	1 138 323
			1 100 935

2. The cash outflow amounting to R2 366 957 in note 39 has been incorrectly disclosed as "changes in other receivables from exchange" instead of inventory.
3. The cash inflow amounting to R391 171 in note 39 has been incorrectly disclosed as "other non-cash items (donation)" instead of other receivables from non-exchange.
4. The following amounts disclosed on the face of the cash flow statement under operating activities do not agree to the amounts disclosed on the AFS:

Cash flows from operating activities	As Per AFS	Re-performance	Difference
Rental income	157 003	159 359	(2 356)
Other income	1 125 345	1 124 284	1 061

Consequently, the cash flow statement and supporting disclosure note on cash generated from operations is misstated.

Internal control deficiency

The accounting officer did not adequately review the cash flow statement and note 39 to ensure that it is presented accurately and in accordance with GRAP 2 requirements.

Recommendation

- Management should review the cash flow statement and note 39 and provide the proposed adjustments and the supporting workings before they are processed.
- Going forward, management should ensure that the financial statements submitted for audit are adequately reviewed.

Management response

Response	Name	Date
Agreed. The discrepancies will be corrected.	R N Hlongwa (Chief Financial Officer)	10.02.2021
Action to address finding	Responsible official	Due date
Annual Financial Statements will be amended accordingly	R N Hlongwa (Chief Financial Officer)	10.02.2021



Auditors response

Management's comments are noted. The total misstatement is below materiality and will be included in the evaluation of uncorrected misstatements.

13. BULK PURCHASES

13.1 Bulk purchases misstated

Audit finding

In terms of section 62(1)(c)(i) of the MFMA; The accounting officer of a municipality is responsible for the managing of the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

During the audit of bulk purchases, it was noted that the following payment voucher relating to maintenance and repairs was incorrectly classified as bulk purchases.

#	Cheque	Vote Description	Payee	Amount as per General Ledger
1	90028268	Bulk Water Purchases	Water and Sanitation South Africa	268 704.99

During the audit of bulk purchases, it was noted that payment vouchers below were not accurately recorded in the general ledger.

#	Cheque	Payee	Amount as per GL	Amount as per Invoice	Vat	Amount excl VAT	Difference
1	90029122	Department of Water Affairs	991 675.68	1 140 427.03	145 268.38	995 158.65	3 482.97
2	90028893	Impala WaterGebruikersvereniging	141 729.41	159 044.68	20 744.86	138 299.72	-3 429.69
3	90031192	Department of Water Affairs	898 199.62	1 032 929.56	131 268.92	901 660.64	3 461.02
4	90030065	Department of Water Affairs	984 672.85	1 132 373.78	134 529.07	997 844.71	13 171.86
5	90031039	Department of Water Affairs	1 050 414.59	1 207 976.78	153 514.64	1 054 462.14	4 047.55
6	90031040	Department of Water Affairs	909 605.59	1 046 048.43	133 415.76	912 630.67	3 025.08
7	90028632	Impala WaterGebruikersvereniging	725 409.04	740 820.55	20 754.35	720 066.20	-5 342.84
							18 415.95

Consequently, bulk purchases is overstated by a projected misstatement of R460 444.47.

Internal control deficiency

The CFO did not adequately review transactions recorded in the general ledger to ensure that transactions were classified and recorded accurately.

Recommendation

- The accounting officer should review expenditure transactions and make the necessary adjustments.
- The accounting officer should ensure that the annual financial statements that are submitted for audit are adequately reviewed.

Management response

Response	Name	Date
Agreed. To process Journal for reclassification	S Mabi (Deputy Chief Financial Officer)	15/02/2021



Action to address finding	Responsible official	Due date
Annual Financial Statements will be amended accordingly	S Msibi (Deputy Chief Financial Officer)	15/02/2021

Auditor's conclusion

Management's comments are noted. The total misstatement is below materiality and will be included in the evaluation of uncorrected misstatements.

13.2 Understatement of bulk purchases

Audit Finding

In terms section 62(1)(b) and (c)(i) of the of the MFMA, the accounting officer of a municipality is responsible for the managing of the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards and that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

Paragraph 17 of GRAP 1 *Presentation of financial statements* requires that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation.

During the audit of bulk purchases, it was noted that the transactions within the account do not meet the MSCOA requirements for disclosure as bulk purchases, as the electricity is purchased to run water plants and treatment works and not for resale purposes.

Bulk purchases	R
Electricity - Eskom	-654 984.00

As a result, general expenses is overstated by R654 984, and bulk purchases is understated by the same amount.

Internal control deficiency

Management did not adequately review the bulk purchase account to ensure that classifications are in line with MSCOA and disclosure is in line with GRAP 1.

Recommendation

Management should revisit the population and make the necessary corrections to both the current and prior year figures to ensure that expenditure is correctly classified and the disclosure is accurate.

Management should assess the reporting requirements of GRAP 1 and ensure that appropriate disclosure is made to ensure fair presentation of the financial statements.

Management response

Response	Name	Date
Agreed. Journal will be processed to remove the identified expenditure from general expenditure to bulk purchases.	S Msihi (Deputy Chief Financial Officer)	11.02.2021
Action to address finding	Responsible official	Due date
Annual Financial Statements will be amended accordingly	S Msihi (Deputy Chief Financial Officer)	11.02.2021

Auditor's conclusion

Management's comments are noted. The total misstatement is below materiality and will be included in the evaluation of uncorrected misstatements.

14. REVENUE AND RECEIVABLES

14.1 Consumers active on Solar system but not billed

Audit finding

Section 64 of the MFMA states that the accounting officer of a municipality is responsible for the management of the revenue of the municipality. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that;

- a) the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;
- b) that revenue due to the municipality is calculated on a monthly basis;
- c) That accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical."

Furthermore, paragraph 17 of GRAP 1 *Presentation of financial statements* states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation. During the audit of service charges, through CAATS testing, it was noted that the following consumers were consuming water and were reflected as active on the Solar system, however the municipality did not bill the consumers.

Number	Account Number	Postal Address1	Surname
1	1258945	HOUSE 79	DEPT OF PUBLIC WORKS
2	1259052	PRIVAE BAG X65	REGIONAL AND LAND AFFAIRS
3	1435891	P O BOX 21006	BUTHELEZI NONHLAHLA GLADNESS
4	1443663	P.O BOX 2200	NYAWO BAKWETHUNGANI JEANETTA
5	1443765	P.O BOX 2104	MTHEMBU NOZIPHO PRUDENCE
6	1443776	P.O BOX 2104	MTHEMBU NOZIPHO PRUDENCE
7	1443787	P. O. BOX 2104	MTHEMBU NOZIPHO PRUDENCE
8	1443798	P. O. BOX 2104	MTHEMBU NOZIPHO PRUDENCE
9	1443812	P.O BOX 266	MEYERWILLEM LODEWYK
10	1443936	P. O. BOX 1635	WATER AND SANITATION SERVICES SA
11	1444087	PRIVATE BAG X0043	CLOETEHermie
12	1444225	P.O.BOX 670	DUMBE GRAIN (PTY) LTD
13	1444338	P.O.BOX 484	ZWANE NOTHANDO COLLEN
14	1444586	P.O BOX 1224	NTSHANGASE MANGEMYANGA GENIUS
15	1444724	PRIVATE BAG X509	NOMDIYA CLINIC
16	1444735	P/BAG X509	NOMDIYA CLINIC
17	1444768	PRIVATE BAG X509	NHLOPHENI CLINIC
18	1444779	PRIVATE BAG X509	LOMO CLINIC
19	1444790	PRIVATE BAG X509	NCEMANENI CLINIC
20	1444804	P/BAG X509	LOMO CLINIC



Number	Account Number	Postal Address1	Surname
21	1444994	P O BOX 418	MYENI BONGINKOSI CONELIUS
22	1445046	804 PONGOLA VILLA	LOOTS CORNEULIS HENDRIK JACOBUS
23	1445090	448 EXT 4	KHUMALO MACELENI SASOL
24	1445192	B74 LINDELANI AREA	KHUMALO MICHAEL ROOI
25	1445217	PRIVATE BAG X0012	62 FARM HOUSE(IMPALA)
26	1445272	P.O BOX 202	KOBISA BELEGGINGS (PTY) LTD
27	1445658	P.O BOX 1032	WENTINK EDDY

The understatement of revenue and debtors could not be quantified as meters were not read and recorded on the system and the consumption of water could not be confirmed by alternative means.

Internal control deficiency

Revenue management did not implement controls over regular inspection and replacement of meters that are not working. In addition, proper meter readings and reconciliations were not performed.

Recommendation

Monthly management reports should be generated and accounts with no movement should be investigated. These reports should be investigated immediately after the billing run and consumer accounts with errors adjusted prior to issuing customer invoices or statements.

Management response

Response	Name	Date
Agree. On a monthly basis, a report will be generated from the financial system to identify all active consumers that are not billed then the system will be updated with estimates.	R N Hlongwa	24/02/2021
Action to address finding	Responsible official	Due date
On a monthly basis, a report will be generated from the financial system to identify all active consumers that are not billed then the system will be updated with estimates.		

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

14.2 Consumers billed using incorrect tariffs

Audit finding

Section 64 of the MFMA states that the accounting officer of a municipality is responsible for the management of the revenue of the municipality. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that;

- d) the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;
- e) that revenue due to the municipality is calculated on a monthly basis;
- f) That accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical."

Furthermore, paragraph 17 of GRAP 1 *Presentation of financial statements* states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation.

During the audit of service charges, through CAATs testing, it was noted that the consumers were billed using the incorrect tariffs. The detailed listing was submitted to management with Communication of Findings 48 dated 23 February 2021.

Consequently, this results in the amount of revenue and debtors being understated by R399 096.75

Internal control deficiency

Management did not ensure that the tariff changes were applied to all active consumers being billed.

Recommendation

Management should revisit the population to ensure that all active consumers are billed using the correct tariff charges and make the necessary amendments.

Management response

Response	Name	Date
<u>Progress to achieve replacement of Infrastructure:</u> <u>Background</u> The municipality in its endeavour to eliminate qualification from audit opinion took a decision to find means to clear qualification matters of which key matter was the use of estimated consumption for longer period in billing customers.	R N Hlongwa	24/02/2021

Response	Name	Date
The Council took a resolution to obtain a funding source in a form of a donation grant or loan. Public invite through request for proposal was issued in a media for individuals who would be interested in providing this service. The key objectives for this exercise are: ▪ Identification of projects for funding and managing on a turnkey basis to accelerate service delivery in water and sanitation infrastructure and demand management programme. ▪ The SCM process has now been finalised to identify the suitable service provider. ▪ The service level agreement has been entered into to go look for funding. ▪ In the next week 15th February 2021, the process of establishing business plan on programmes will start followed by the process of engagement with funders to be identified whereafter the service level agreement will be entered into. ▪ A project steering committee will be established to monitor the programme.		
Action to address finding	Responsible official	Due date
• The municipality must evaluate the interim charge for all population of customers as revealed by communication 22 of 2020. • The municipality must show evidence for progress in its effort to deal with the question of dysfunctional instrument for billing.		

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure B of this report and management's implementation plan will be followed up in the next financial year.

15. VALUE ADD - WATER TANKS

Background

The municipality initiated water tanks installation as part of its response to the COVID-19 pandemic to curb the spread of the virus at a total cost of R2 109 234,26 to enable targeted communities to receive constant supply of water. A proactive audit approach was adopted for a sample of 5 water tanks as detailed below that amounts to R481 786,30 (i.e. R96 357,26 each).

- Zungwini (Ward 7);
- Ngwenya (Ward 2);
- Emasimini (Ward 2);
- Empelendaba (Ward 6);
- Ezingulubeni (Ward 8);

The above sample selection was based on a listing of communities identified by the municipality to have received water tanks as part of Covid-19 prevention measures. The audit involved determining the following:

- whether the municipality had a process (needs assessment) in place to plan for the installation of water tanks and the tanking of water;
- whether the right quantity of water tanks was procured and that it was at the right size and right quality;
- whether the water tanks were installed timely and as required;
- whether the water tanks were procured at market related prices;
- whether the water tanks were regularly refilled;
- whether the water tanks existed and construction works was of required quality;
- whether the water tanks and water tanking service were sufficient to address the needs during the Covid-19 pandemic.

DETAILED AUDIT FINDINGS:

15.1 Weaknesses identified on water tanks

The water storage tanks specifications as submitted by the municipality were used for the audit as detailed below:

- Water tanks with steel stand
 - 10 000 litre water tank
 - Cut and level where the tank will be installed and build a steel water tank base and ground slab (surface bed)
 - Tank stand should be steel
 - Channels for tank floor
 - Angle iron bar for bracing across the uprights of the stand
 - Gussset plate across the top end of the platform of the tank to the top end of the upright of the stands
 - Concrete bases and ground slab
 - Six community stand pipes 50m from the tank
 - Concrete V-drain to allow for outflow of water from the taps
 - Soakaway which provides for the drainage of excess water.

15.2 Inadequate needs assessment for water tanks

The average annual daily demand (AADD) in accordance with the village population or the number of houses is the first step of sizing the water supply system as per the following domestic demand by level of services in accordance with CSIR: Guidelines for Human Settlement Planning and Design/ Redbook:

- Natural resources with no engineered piped supply AADD;
- Standpipes in the streets of a community (25 litres/day);
- Standpipes in each stand dedicated to one household (60 litres/day);
- A water supply directly into each home (no fixed guideline)

However, it was found that when the needs assessment to install water tanks to respective communities was performed it did not include/demonstrate an estimation of the AADD as part of the needs assessment. Consequently, without determining the AADD the storage capacity that will suffice for 100% supply of water for certain hours could not be proven.

The water supplied by 10 000 litre tanks only last the respective community three to four days whereas the tankers only supply water once a week at most as determined through interviews conducted with some community members. Interviews conducted with the community members (i.e. people who were fetching water at the standpipes and the ones neighbouring the tanks) was an alternative procedure since logbooks for the delivery of water to respective communities was not provided as per request number 19 dated 30 October 2020 (i.e. all logbooks for delivery). Three of the tanks physically visited on 17 November 2020 were found empty namely Ngwenya (Ward 2)-Asset number ZDM -5/2019, Zungwini (Ward 7)-Asset number ZDM -4/2019 and Emasimini (Ward 5)-Asset number ZDM -4/2019. As a result, the tanks are unreliable water points since the community did not receive 25 litres/person/day as per the water regulations as only 57% (four out of seven days) water supply was being received in a week. Thus such occurrences impact on the effectiveness of the initiative since water is not always readily/timely available for intended purposes.

Additionally, the needs assessment lacked evidence for consideration of the following as directed by CSIR: Guidelines for Human Settlement Planning and Design (Red book) for standpipe based reticulation:

- One tap required per 20 to 50 dwellings;
- Maximum number of people served per water point 300;
- Maximum number of people served per tap 150;
- Maximum walking distance from dwelling to tap 200m;
- Acceptable discharge capacity 10 l/minute.

Therefore, without available supportive evidence to the above, a limitation of scope was placed on the audit. Therefore, it could not be determined whether the right quantities of water tanks were procured and that it was at the right size (capacity) to store and supply the number of intended beneficiaries.

15.3 Construction not in accordance with the drawings specifications

In all the five water tanks physically visited on 17 November 2020, the specifications stipulated by the municipality were not complied with as detailed below:

- There was neither angle bars for bracing nor gusset plate used per the specification;

- Checker plates were used, instead of lip channel bars per the drawings, as platforms for the tanks (Photo 1 below refers);
- The tanks are overhanging as the stands are smaller in dimension and do not provide support for the full size of the tanks (Photo 2 below refers);
- There was no soakaway as per the specifications (Photos 3, 4, 5, 6, 7 and 8 below refers).

Photo table

Photo 1: Checker plate used instead of lip channel bars as the platform for all five tanks audited .	Photo 2: Overhanging tank in all the five tanks audited.
	
Photo 3: Empelandaba (Ward 6)-Asset number ZDM -7/2019 Stagnation of water in a clay soil area where the 110 mm diameter pipe was designed to discharge the water to a soakaway (soakaway wasn't constructed).	Photo 4: Zungwini (Ward 7)-Asset number ZDM - 1/2019 Stagnation of water in a clay soil area where the 110 mm diameter pipe was designed to discharge the water to a soakaway (soakaway wasn't constructed).



Photo 5: Ngwenya (Ward 2) Tank 1 Asset number ZDM -5/2019

Absence of a soakaway and a missing grate in the gulley which was designed to discharge water in the soakaway was not constructed



Photo 6: Emasimini (Ward 5)-Asset number ZDM -4/2019

Clay soil area where the 110 mm diameter pipe was designed to discharge the water to a soakaway (soakaway wasn't constructed).



Photo 7: Ngwenya (Ward 2) Tank 1 Asset number ZDM -4/2019

Absence of a soakaway and a missing grate in the gulley which was designed to discharge water in the soakaway which was not constructed .



Photo 8: Ezingulubeni (Ward 8) -Asset number ZDM -2/2019

Stagnation of water in a clay soil area where the 110 mm diameter pipe was designed to discharge the water to a soakaway (soakaway was not constructed).



15.4 Lack of details in water tanks construction drawings

The following details were found lacking on observations made in the construction drawings issued which was mainly as a result of incomplete working drawings.

- Tank stand dimensions;
- Steel sections for the stands not stipulated (e.g. Angle section 50x50x5);
- Top view of the stands;
- Connections for steel stand;
- Corrosion protection of structural steel work;
- Construction notes;
- Compaction of footing, ground floor slab and backfill of the pipes;
- Base footings and ground slab dimensions for the stands and concrete grade;

15.5 Bills of Quantities (BoQ) were not in line with the construction drawings

The observations made between the BoQ and the construction drawings of water tanks indicated that there was no provision for a soakaway in the BOQ. There was no alignment as the soakaway was included in the construction drawings. Thus, as the soakaway was not included and costed in the BoQ, these were not constructed. Any subsequent inclusion in the BOQ would require a variation order that will negatively impact on the originally planned costs.

Water piping of 50 metres from the water tank to the standpipes was provided for in the construction drawings and BOQ. In all five projects audited less than 50 metres of piping was provided as reflected in Table 1 below. Although the payment certificate provided for audit bears no details of the specific project, it was noted that the full amount was paid for the tanks that were installed, viz. 50 metres was paid for. There was also no assessment by the principal agent of the work done. A full reconciliation per tank project is required together with the principal agent's certification, in order to determine the potential overpayment

Table 1 Measurement of pipes between tank and standpipe

Village name	Measured on site (m)	Paid in metres	Difference in excess (m)
Zungwini (Ward 7)	29.7	50	20.3
Ngwenya (Ward 2)	44.8	50	5.2
Ngwenya (Ward 2)	26.8	50	23.2
Empelandaba (Ward 6)	41.3	50	8.7
Ezingulubeni (Ward 8)	20.9	50	29.1

15.6 Quality deficiencies identified on water tanks

The following are examples of significant quality deficiencies identified from the site inspection performed for the installation of the water tanks:

- The concrete ground floor (surface bed) had severe cracks (Photos 9, 10 and 11 below refers);
- The concrete ground floor (surface bed) not embedded to the ground (Photo 10 below refers);
- All stands were found not levelled when using spirit level tool due to poor workmanship;
- There was no quality control used for construction, that is concrete cubes and compaction tests not conducted;
- There is a leakage in the 2" GMS nipple connecting to the tank (Photo 11 below refers).

Photo table

Photo 9: Zungwini (Ward 7) - Asset number ZDM - 1/2019 Concrete ground floor (surface bed) with severe cracks disjoining from the main slab .	Photo 10: Empelandaba (Ward 6) - Asset number ZDM -7/2019 Concrete ground floor (surface bed) not embedded to the ground with severe cracks disjoining from the main slab .
	

Photo 11: Zungwini (Ward 7) - Asset number ZDM - 4/2019

Concrete ground floor (surface bed) with severe cracks disjoining from the main slab.



Internal control deficiency

- CSIR: Guidelines for Human Settlement Planning and Design (Red book) were not sufficiently followed when preparing the needs analysis;
- Poor project supervision and works-inspection by the municipality in ensuring that the construction was per the issued construction drawings and project specifications;
- Poor quality control of the material used for construction by seeing to it that concrete cubes and compactions tests were either done, available/documented in the project file.

Recommendation

To sufficiently address the spread of Covid-19 through water tanks initiatives, the municipality should consider improvement in the following areas:

- Conduct a needs analysis for every ward in order to ascertain that the storage tanks supplied to respective wards are sufficient in accordance with CSIR: Guidelines for Human Settlement Planning and Design (Red book). An analysis should ascertain that the tanks are located within the required radius for the furthest community consumer in accordance with CSIR: Guidelines for Human Settlement Planning and Design (Red book);
- The municipality should review construction drawings from the consulting engineer to ensure they are complete and that the BoQ is in line with the construction drawings and project specifications;
- The municipality should conduct a detailed inspection of the water storage tanks installed to assess quality of work in accordance with the specification prior to making payment. Also, a snag list for defects should be submitted to the service provider for remedial actions and no payment should be made without the defects being rectified.

- The municipality should further conduct an assessment of the current delivery schedule of water tankers in order to ascertain that there is a reliable water supply for the needy communities.
- The conduct of the staff should be investigated and appropriate actions taken.
- Management must provide a reconciliation of payments made per individual tanks together with payment certification by the principal agent (consultant) and all relevant documents and assessments of quantified amounts of work completed.

Management response

Management comment on the audit finding: Agreed. The audit findings are noted.		
Management comment on internal control deficiency: The internal control deficiencies are noted and will be implemented when the next project of similar nature is implemented.		
Management comment on recommendation: The recommendations are noted, and the remedial actions listed below will be taken, based upon the recommendations.		
Remedial action: The following remedial actions are recommended:		
What actions will be taken: • On-site assessment of installed infrastructure to determine current operational condition and defects to be repaired. • Service Provider to be instructed to repair defects identified. • Report to be tabled to Management	By whom Name: J Jordaan Position: Acting HOD Technical Services	By when: 31 March 2021

Auditor's conclusion

Management responses are acknowledged. The finding will remain in annexure B and the auditors will follow up for the implementation of remedial actions in 2021 financial year.

16. VALUE ADD – PERSONAL PROTECTIVE EQUIPMENT

Background

In response to the outbreak of Covid-19 pandemic, public bodies including municipalities (MFMA circular no.100, paragraph 2.2) had to ensure that there was sufficient supply of Personal Protective Equipment (PPE) to both its employees and related communities as a preventative measure for their health and safety. PPE is critical in the infection prevention, control (IPC) and the protection. Using PPE helps to prevent the coronavirus from spreading and protecting individuals from being exposed to Covid-19 virus. PPE includes gloves, face masks, face shields, sanitisers, thermometers, disinfectants and other related risk mitigation measures to the virus.

Against this background, a pro-active audit was undertaken on PPE in validating that, there were sufficient controls, continued availability and supply of PPE that is managed in an effective, efficient and economical manner (MFMA No. 56 of 2003, paragraph 62(1)(a)). The audit covered the entire value chain on PPE. The ideal value chain for PPE includes, demand management, procurement from suppliers, warehousing, distribution and stock management.

On review of the PPE value chain, the following weaknesses were identified:

16.1 Lack of validating evidence over planned PPE quantities

The purpose of demand management is to ensure that resources to fulfil the needs identified are delivered at the correct price, time, place, quantity and quality. Needs analysis, as part of the demand management phase, initiates the procurement cycle which entails research and planning on what is required to meet the municipality's objectives. The municipality's contingency plan on Covid-19 dated 27 March 2020, inclusive of the business plan dated 03 April 2020 for the provision of sanitization services, outlined its response strategy. However, supporting documents/ evidence/ details that substantiates the quantities planned for procurement were not made available for audit. It is a legislative requirement that sufficient and appropriate information/documentation be submitted to the auditors in terms of:

- Section 74(1) of the Municipal Finance Management Act No.56 of 2003, "The accounting officer of a municipality must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required."
- Section 15(1) of the Public Audit Act 25 of 2004, on general auditing powers, states that when performing an audit referred to in section 11, the Auditor General or an authorised auditor has at all reasonable times full and unrestricted access to "any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee."

Detailed below are PPE expenditure totalling R25 063 200, the quantities for which could not be validated for appropriateness in relation to what was needed to prevent the spread the virus:

Description	Quantity	Value
500ml D-gen hand disinfectant 0.5 chlorhexidine gluconate in 70% alcohol/sanitizer	100 000	R230 000.00
• These quantities will cover municipal employees, councillors and the community		



Description	Quantity	Value
To be distributed to communities per household		
Sanitizing of social grants pay points and sanitizers for recipients	100 000	R2 300 000.00
Will be issued to recipients while on queue		
Surgical masks	500 000	R17 500 000.00
Surgical disposable gloves	500 000	R2 500 000.00
Temperature thermometers	200	R150 000.00
Sanitization equipment	30	R130 000.00
For sanitizing municipal buildings and offices, social grants pay points and community halls		
Surgical protective gear	34	R2 000.00
Safety goggles	14	R1 200.00
5 litre steriwise surface disinfectants	1 000	R280 000.00
Total		R25 063 200.00

Without verifiable supporting documentation (evidence) of how the planned/required PPE quantities were arrived at, audit was limited in its scope to confirm whether the needs analysis was drawn up efficiently and effectively. That is, it could not be determined whether the planned PPE quantities with related budgets were sufficient/adequate for the municipality's risk mitigation initiatives in response to Covid-19.

16.2 Inadequate controls over the receipt and distribution of PPE stock

As part of our PPE review, we evaluated the internal controls within the PPE stock management to determine whether the municipality had adequate procedures to enable effective PPE stock management. Our review noted the following weaknesses regarding PPE stock management:

It is noted that receiving and issuing of PPE inventory was not conducted according to the inventory management standard operating procedures (SOPS). In responding to the auditor's request for information number 19 dated 13 November 2020, management indicated that PPE that were received, were distributed to employees immediately. This was contrary to SOPS 7.6.2 for receiving of inventory which requires inventory to be captured on inventory system computerised or through bin cards/requisition forms. Furthermore, SOPS 7.6.3 relating to the issuing of inventory details the following procedure requirements:

- Receive request for inventory from managers within department;
- The Head of Department needs to verify if there is sufficient inventory on hand;
- Complete and sign an "Inventory Sign-out Form"

Implementing SOPS procedures on receiving and issuing of PPE inventory enables management to provide up-to-date inventory balances or to identify out-of-stock for demand management

purposes. This process ensures proper accountability for the PPE and also to timely identify and respond to theft, losses, wastage and misuse.

Internal control deficiency

- Management oversight was not in place to ensure that PPE needs analysis was adequately substantiated with appropriate supporting documents to enable management review and validation thereof, as well as to comply with the legislative prescripts mentioned above.
- Requirements for inventory receiving and issuing were not implemented consistently as directed by the municipality's standard operating procedures and best practices due to lack of monitoring by municipal officials.

Recommendation

To sufficiently address weaknesses identified, it is recommended that management should:

- ensure that sufficient evidence is available to confirm that specific procedures were performed when the needs analysis was conducted to enable re-performance. Information required to support the efficiency and effectiveness of demand management should be identified, stored safely and made available for audit purposes.
- Immediately furnish the information to substantiate the quantities ordered for audit or confirm that said information is not available, in order for auditors to conclude on the matter.
- **streamline PPE processes in accordance with inventory procedures on the receipt and distribution of PPE stock to enable timely and regularly updated records. In addition, inventory management standard operating procedures must consistently be followed to enable the proactive management of issues relating to stock outs/shortages, losses, theft, wastage, misuse, etc. so that preventative action can be taken while ensuring continuous supply of PPE.**

Management response

Response	Name	Date
Agreed. Recommendations will be implemented	R N Hlongwa (Chief Financial Officer)	10.02.2021
Action to address finding	Responsible official	Due date

Auditor's conclusion

Management responses are acknowledged. The finding will remain in annexure B and the auditors will follow up for the implementation of remedial actions in 2021 financial year.

17. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY GOVERNANCE

17.1 Inadequate documentation of the IT Strategic Plan

Audit finding

As previously reported, the municipality had an approved IT (Information Technology) Strategic Plan however, the strategy still did not include the following required sections:

- IT risks to be mitigated;
- The general approach towards technology, i.e. should the organisation stay at the forefront of technology, or would a more conservative approach be appropriate;
- The structure of the IT environment;
- Facilities used by IT.

Furthermore, the IT Strategic Plan did not have a clearly defined roadmap showing each project along with the estimated budget and timeframe to monitor the progress of project implementation.

The lack of a comprehensive and adequately documented IT Strategic Plan which clearly illustrates the role of IT as well as defines the roadmap for each IT project that is being implemented at the municipality, may result in management not adequately planning for the IT department resourcing and IT infrastructure development.

Internal control deficiency

The Head of Department (HoD): Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The municipality had not completed the process of obtaining accurate estimates of costs and timeframes for completion of each IT project. Furthermore, there was no budget secured to implement the approved IT Strategic Plan in the 2019-20 financial period and it was therefore not updated.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The estimated costs and timeframes for the completion of each IT project and the required implementation budget should be obtained. The IT Strategic Plan should thereafter be updated to include all required information, be formally approved, implemented and monitored.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
We obtained the draft budget for the 2020/2021 financial year and noted that, under table A2 – Expenditure (Human Resources – Information Technology) includes a budget amount of R7 941 000. The IT Strategic Plan will be updated accordingly.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.



17.2 IT Steering Committee did not meet as required by the Terms of Reference

Audit finding

As previously reported, section 5.3 of the signed and approved Terms of Reference (ToR) for the Zululand District Municipality (ZDM) IT Steering Committee states that meetings should be held quarterly. In the 2019-20 financial year it was noted that no IT Steering Committee meetings had been held. The last time the IT Steering Committee had convened was the final quarter of the 2018-19 financial year on the 22nd, 25th and 29th of June 2020.

If IT governance structures do not meet as frequently as required by their ToR this could result in a lack of oversight over the IT environment and misalignment between IT and organisational goals and objectives. Additionally, IT issues may not be tracked and monitored in a timely manner which may impact the performance and delivery of IT services to the municipality.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year Information systems audit were adequately and timeously implemented. The IT Steering Committee could not convene as key members of the committee were unavailable due to the Covid-19 lockdown restrictions which prevented meetings from being held.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. Furthermore, the IT Steering Committee should ensure meetings are held as per the frequency stipulated in its ToR. The meetings minutes should be documented, reviewed, approved and signed off in a timely manner after a meeting has been held. These finalised minutes should be distributed to the relevant stakeholders for implementation of actions and monitoring.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The IT Steering Committee has not convened in the 2019-20 financial year due to members of the committee not being available. Once operations have commenced, the committee will convene on the quarterly basis.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.3 Return on Investment and Benefit Realisation Strategy for IT spend has not been adequately documented and approved

Audit finding

It was previously reported, that ZDM did not have an adequately documented process to monitor Return On Investment (ROI) and Benefit Realisation (BR) for IT spend relating to Infrastructure, software, external service providers and system development. In the 2019-20 financial year an Evaluation and Measurement of Benefit Realisation and Return on Investment IT Spending document was obtained however it had still not been adequately documented and approved.

If an ROI and BR Strategy is not adequately documented and implemented this could result in IT investments not being adequately monitored and reported on. This may further result in the municipality not deriving the expected benefits from IT spend.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The Covid-19 lockdown restrictions prevented consultations with the ITC service provider regarding the updating of the ROI and BR policy.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required processes to ensure that the ROI and BR Strategy is adequately documented, approved and implemented within the municipality should be completed.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The ITC service provider will be engaged regarding this policy requirement. It must further be noted that the organogram proposing the new in-house IT unit structure has been submitted to Council.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.4 Service performance of key financial systems service providers not monitored

Audit finding

As previously reported, the performance of the service provider for the following key financial systems had not been formally monitored:

PayDay (PayDay Software Systems).

Implementation and Management of Project Information (IMPI), Local Suppliers' Database and PMS (Quartex Technologies)

The lack of adequate monitoring controls on the performance of service providers may lead to poor service levels being received by the municipality. Performance issues may not be timeously identified, brought to the attention of the service provider and resolved.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The municipality had resolved that service provider performance would be discussed and monitored at the IT Steering Committee quarterly meetings. It was however noted that for the 2019-20 financial period no IT Steering Committee meetings had been held and therefore the required service provider monitoring did not occur.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The periodic monitoring of service provider performance should be formalised. A process that ensures agreed upon service levels are regularly monitored and issues timeously identified and resolved should be implemented.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services))	09/02/2021
Action to address finding	Responsible official	Due date
Service Level Agreements will be monitored by the HOD: Corporate Services and will be reported to the IT Steering Committee.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.5 Service level agreement between Zululand District Municipality and Quartex Technologies not signed by the municipality

Audit finding

It was previously reported, that there was no service level agreement (SLA) between ZDM and Quartex Technologies. In the 2019-20 IT audit it was noted that a SLA agreement had been drafted and signed by the service provider however this document was not signed off by the municipality.

The lack of a signed service level agreement could result in the municipality not being able to hold Quartex Technologies accountable for non-delivery or the poor delivery of services.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. A representative of the municipality was not able to sign the drafted SLA due to delays caused by the COVID-19 lockdown which prevented the document from being tabled and approved by Council.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The drafted SLA with Quartex Technologies should be tabled for approval at Council. Once Council approval has been obtained a municipal representative should be assigned the task of formally signing off the SLA.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services))	09/02/2021
Action to address finding	Responsible official	Due date
The Service Level Agreement with Quartex Technologies will be approved and signed.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

SECURITY MANAGEMENT**17.6 Windows Server 2008 R2, Windows SQL Server R2 and Microsoft TMG firewall used for the Implementation and Management of Project Information, Performance Management System and Local Suppliers' Database is no longer supported by Microsoft****Audit finding**

As previously reported, the Windows Server 2008 R2 and Windows SQL Server R2 operating systems on which the IMPI, Performance Management System (PMS) and Local Suppliers' Database sits is no longer supported by Microsoft. Furthermore, the Microsoft TMG firewall is also no longer supported.

If the municipality is utilising an unsupported operating system and firewall this may result in the municipality not receiving mandatory security updates and being susceptible to threats. An attacker may be able to exploit known operating system and firewall vulnerabilities to gain access to the network, view sensitive business information and cause malicious damage or take complete control of networked devices. The lack of updates may also cause these devices to become unstable and inoperable.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. No budget was secured to implement the approved IT Strategic Plan in the 2019-20 financial period which also encompassed the upgrade of critical IT infrastructure.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required budget should be secured and an upgrade of critical IT infrastructure undertaken to ensure that all IT devices utilised are supported.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The implementation of the recommendations requires an available budget. The 2020/2021 budget makes provision for this. The recommendations will be implemented in the 2020/2021 financial year.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.



17.7 Antivirus not managed centrally

Audit finding

As previously reported, updates to the antivirus software on user machines are not centrally managed. In the 2019-20 IT audit it was noted that the municipality had still not instituted a process or tool to ensure the antivirus software on each workstation throughout the municipality is up-to-date and functioning appropriately. There is a dependency on the user to manually update their own antivirus.

The lack of central management and manual processes relating to antivirus software may lead to workstations not being updated with the latest antivirus software definitions and upgrades. This could allow for an attacker to exploit security vulnerabilities and gain access to the network or applications thus obtaining access to sensitive information or causing malicious damage to municipal systems.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. Furthermore, there was no budget secured to implement the approved IT Strategic Plan in the 2019-20 financial period which encompassed the upgrade of critical IT infrastructure and antivirus software.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required budget should be secured and the resources needed to enable the central management of the antivirus software implemented

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The municipality is aware of the discrepancy in the 2020/2021 financial year the budget will prioritise the centralisation of anti-virus.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.8 Inadequate management of the firewall

Audit finding

As previously reported, the following deficiencies were noted regarding the management of the firewall:

A firewall ruleset has not been defined.

The firewall ruleset is not accompanied by descriptive metadata or a ruleset document.

There was no established process to proactively and regularly review firewall rules.

Access to the firewall administrative interface and traffic passing through the firewall is not monitored through an established process.

In the absence of a robust and adequately managed firewall, the municipality may not be able to detect and monitor potential security threats on a real-time basis.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. Furthermore, management delayed establishing firewall controls as they expected a new firewall to be implemented however the required budget could not be secured.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required budget should be secured and a new firewall with enhanced capabilities implemented. Controls relating to the firewall should be established to ensure that the device is operating optimally and being monitored on a regular basis.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The implementation of the recommendations requires an available budget. The 2020/2021 budget makes provision for this. The recommendations will be implemented in the 2020/2021 financial year. In addition, the IT Policy has been revised to include the firewall guide aspect.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.9 Patch management status reports not reviewed**Audit finding**

As previously reported, no evidence could be provided to verify that the patch management status reports had been formally monitored, reviewed and exceptions followed up on for the 2019-20 financial period.

In the absence of regular formal reviews of patch reports, management may not be able to identify outdated patches which could result in computers and servers becoming vulnerable to data corruption and security breaches.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The municipality does not have a Windows Server Update Services (WSUS) tool to centrally manage patches and produce required patch management status reports for review.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. A process for the central management of patches and reviewing of patch management status reports should be established. Patch management status reports should be generated and reviewed on a regular basis. Evidence of reviews and actions taken to resolve deficiencies identified should be retained.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The patch management report has not been generated, this item will be discussed in the next IT Steering Committee.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.10 Password configuration settings for the Implementation and Management of Project Information system could not be generated

Audit finding

As previously reported, password configuration settings for the IMPI system could not be generated due to system limitations.

The municipality may not be aware of the adequacy of password settings configured on IMPI. Weak password settings may result in passwords being compromised and unauthorised users accessing the system.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. Furthermore, there was no budget secured to implement the approved IT Strategic Plan in the 2019-20 financial period which encompassed an upgrade of the IMPI system that would allow the configuration of password parameters to be generated.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required budget should be secured and the IMPI system updated to allow for the configuration of password parameters to be generated and assessed. Once password configurations are enabled on the system, should ensure that they are configured to industry best practices for password configurations.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
Quartex Technologies has indicated that the development will only be done in the 2020/2021 financial year due to budget restrictions.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.11 No review of logon violations for the PayDay, Implementation and Management of Project Information, Local Suppliers' Database and Performance Management System

Audit finding

As previously reported, logon violations on PayDay, IMPI, Local Suppliers' Database and the Performance Management System (PMS) were not periodically reviewed to ensure that suspicious logon attempts were identified and investigated.

Not reviewing user logon attempts could result in suspicious and unauthorised access attempts going undetected for extended periods of time. If a user account is compromised this may affect the confidentiality, integrity and availability of the data stored on the systems.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. A system functionality limitation prevented a logon violation report from being generated. The municipality had not completed the process of obtaining accurate estimates of costs for the implementation of software to administer and monitor user account management activities and therefore logon violations could not be reviewed.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The municipality should complete the process of obtaining quotes for the implementation of software to administer and monitor user account management activities. The necessary budget should be secured to implement the required software and thereafter user account logon violation reports should be generated and reviewed on a periodic basis. Evidence of reviews performed should be retained.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The implementation of the recommendations requires an available budget. The 2020/2021 budget makes provision for this. The recommendations will be implemented in the 2020/2021 financial year.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

USER ACCESS MANAGEMENT**17.12 No formal processes in place for user account management activities on the Implementation and Management of Project Information, Local Suppliers Database and Performance Management System****Audit finding**

As previously reported, there were no formal IT user account management processes in place for the IMPI, Local Supplier's Database and Performance Management System. The following user account activity processes were not in place:

User creation, access modification, termination and password resets
Reviews of user access rights were not performed

Furthermore, it was noted that the IMPI, Local Supplier's Database and Performance Management System were not mentioned in the municipality's IT user account management policies and procedures.

The lack of formalised user account management processes may result in the municipality not being able to adequately monitor user account management activities. Unauthorised user account management activities may not be timeously identified and acted upon. This may affect the confidentiality, integrity and availability of the data stored on the systems.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The IMPI, Local Supplier's Database and Performance Management System are managed by the service provider and therefore the municipality did not design and implement any controls around the systems as they expected the service provider to do so.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The municipality should liaise with the service providers of the IMPI, Local Supplier's Database and Performance Management System to ensure formal processes for user account management activities are established and implemented.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The processes for user access management and Program change management has been established, however the document is still in a draft stage, once approved by the Council recommendations will be implemented.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.



17.13 System generated list of user account management activities not available for Solar, PayDay and Windows Active Directory

Audit finding

As previously reported, some user account management logs were not available on the Solar, PayDay and Windows Active Directory (AD). The table below indicates the status of availability of user account management logs on each system:

Logs	Solar	PayDay	Windows AD
User creation	Available	Unavailable	Unavailable
User termination	Available	Unavailable	Unavailable
User access amendment	Available	Unavailable	Unavailable
Password resets	Unavailable	Unavailable	Unavailable

The absence of user account management logs may result in the municipality not being able to adequately monitor user account management activities performed and identify any unauthorised actions performed on these systems. This may compromise the confidentiality, integrity and availability of the data stored on the systems and negatively impact the ability of the municipality to continue with operations.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The municipality had not completed the process of obtaining accurate estimates of costs for the implementation of software to generate user account management activities logs. This project was part of the IT Strategic Plan however the budget required to implement this initiative could not be secured.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The municipality should complete the process of obtaining quotes for the implementation of software to generate user account management activities logs. Once the appropriate user account management log software has been sourced and implemented, user account management activities logs should be generated and reviewed on a periodic basis. Evidence of reviews performed should be retained.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The implementation of software to monitor user account management activities will be added to the IT Strategic Plan. This item forms part of a Microsoft software and license upgrade. This item will be added to the Risk Register and has been budgeted for in the 2020/2021 financial year.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.



17.14 Administrator activities not reviewed on the Implementation and Management of Project Information, Local Suppliers' Database and Project Management System

Audit finding

As previously reported, the activities performed by users with administrator privileges on the IMPI, Local Suppliers' Database and PMS systems were not periodically reviewed and monitored. Furthermore, these systems were not mentioned in the approved ZDM IT User Access Policy.

Users with administrator privileges have full control over IT applications. If the activities of administrators are not adequately reviewed and monitored this may result in unauthorised activities performed not being detected in a timely manner. Furthermore, user account maintenance activities could be performed by administrators without valid and approved requests. This may affect the integrity, confidentiality and availability of data stored on systems.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The IT Steering Committee could not convene as key members of the committee were unavailable due to the Covid-19 lockdown restrictions. This prevented meetings to discuss the implementation of administrator activities reviews on IMPI, Local Supplier Database and PMS from being held

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The IT Steering Committee should ensure that meetings are regularly held and processes for the periodic reviews of administrator activities implemented.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
This has not yet been resolved and will be discussed at the next IT Steering Committee meeting.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

17.15 Generic accounts not disabled on the Windows Active Directory

Audit finding

As previously reported, the following Windows AD accounts were created as generic or not linked to a specific user to ensure accountability. These accounts were also shared by numerous technicians of the service provider, Business Connexion (BCX).

User Name	Account type	Creation
BCX Developer User	user	Not specified
BCX Consultant User	user	Not specified
BCX SOLAR Admin User	user	Not specified
BCX Solar System	user	Not specified

Generic system accounts could lead to a lack of accountability. This may result in actions not being able to be associated with a specific individual.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The generic accounts are used by BCX to support the Solar system and the impact of assigning each consultant a unique user account was still being investigated.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. All user accounts including those utilised by consultants should be linked to a specific individual in order to ensure accountability and associate actions to a single source. The process of evaluating the impact of assigning each consultant a unique user account should be finalised and the generic accounts identified linked to one person.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
These accounts are set out by our financial system service provider as operational requirements as per the plan and implementation documents of the Solar system. These accounts are Service Accounts they are operated by the application system (Solar System) not by an individual. This item will be placed on the Risk Register and the risk will be accepted.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

PROGRAM CHANGE MANAGEMENT**17.16 Change logs were not available for the Implementation and Management of Project Information, Local Suppliers' Database and Performance Management System****Audit finding**

As previously reported, the IMPI, Local Suppliers' Database and PMS systems were not able to generate program change logs due to system limitations. Furthermore, the IMPI, Local Suppliers' Database and PMS systems were not included in the Change Management Policy of the municipality.

In the absence of formal change management processes and adequate system generated change logs management may not be able to identify unauthorised or untested changes that have been implemented in the production environment. This may compromise the confidentiality, integrity and availability of the systems.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The municipality had not completed the process of obtaining accurate estimates of costs for the implementation of software to generate program change logs. This project was part of the IT Strategic Plan however the **budget required to implement this initiative could not be secured.**

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The municipality should complete the process of obtaining quotes for the implementation of software to generate program change logs. Once the appropriate program change log software has been sourced and implemented, program changes implemented should be generated and reviewed on a periodic basis. Evidence of reviews performed should be retained. Furthermore, the Change Management Policy should be enhanced to include the IMPI, Local Suppliers' Database and PMS systems

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The recommendations are noted however they have not been implemented. The items will be discussed at the next IT Steering Committee meeting.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

IT SERVICE CONTINUITY**17.17 Disaster Recovery Plan and testing has not been comprehensively documented and completed****Audit finding**

As previously reported, the Disaster Recovery Plan (DRP) was approved. The document however lacked the following information:

Disaster definitions

Objectives of the plan

Business impact analysis (BIA) in line with the Recovery Time objective(RTO) and Recovery Point Objective (RPO)

Daily procedures if the system is down and what impact does it have on service delivery

System names are not included in the plan

It was further noted that the DRP was not tested in the 2019-20 financial year.

The lack of an adequately documented DRP may result in staff not having sufficient guidance to successfully restore systems in the event of a disaster. Furthermore, the municipality may not be aware of the effectiveness of its DRP if periodic testing is not performed.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. The IT Steering Committee could not convene as key members of the committee were unavailable due to the Covid-19 lockdown restrictions. This prevented meetings from being held to discuss the updating and regular testing of the DRP.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The IT Steering Committee should ensure that meetings are regularly held and the DRP adequately updated and tested on a periodic basis. Evidence of DRP testing should be retained.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
This item will be placed on the agenda for the next IT Steering Committee meeting, the DRP will be tested and thereafter it will be documented as per the recommendation.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.



AUTOMATED CONTROLS REVIEW**17.18 Inadequate automated controls on the Local Suppliers' Database relating to approvals****Audit finding**

As previously reported, automated controls on the Local Suppliers Database relating to deviations do not function as intended, as the second level approver can approve at both the first and second level.

This may lead to a lapse in segregation of duties and inappropriate deviations being approved. Furthermore, deviations may not be approved in line with the delegations of the municipality.

Internal control deficiency

The HoD: Corporate Services did not ensure that the action plans committed to in the prior year information systems audit were adequately and timeously implemented. An upgrade is required to correct this automated control configuration however the municipality did not allocate a budget for the project and it therefore could not be implemented.

Recommendation

The HoD: Corporate Services should ensure that agreed action plans to resolve prior findings are adequately and timeously implemented. The required budget should be sourced and the Chief Financial Officer (CFO) liaise with the service provider to configure the deviations automated controls in compliance with the municipality's approved processes. Delegation of authority should be clearly defined and configured correctly on the system.

Management response

Response	Name	Date
Management agrees with the finding.	Mr. A Khumalo (Acting HoD: Corporate Services)	09/02/2021
Action to address finding	Responsible official	Due date
The tool is currently managed by an external service provider. The Chief Financial Officer has engaged with the service provider regarding this issue and was advised that a system upgrade is required in order to allow for the additional functionality. This upgrade will be considered with the allocated budget for the 2020/2021 financial year.	Mr. A Khumalo (Acting HoD: Corporate Services)	30/06/2021

Auditor's conclusion

Management response is noted and will be followed up in the next audit review cycle.

Annexure C: Administrative matters

18. AUDIT COMMITTEE

18.1 Audit committee deficiencies

Audit finding

Section 166(2)(a)(v) of the MFMA states that:

An audit committee is an independent advisory body which must advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to performance management.

Section 166 (4)(b) of the MFMA states that:

An audit committee must meet as often as is required to perform its functions, but at least four times a year.

While obtaining an understanding of the audit committee of the municipality, the following was identified;

- Only 3 meetings were held on 8 August 2019, 30 January 2020 and 19 June 2020 in contravention of section 166(4)(b) of the MFMA.
- The audit committee did not review and approve the internal audit plan before the start of the financial year. The internal audit plan was only approved by the audit committee on 30 January 2020.
- The audit committee did not consider and satisfy itself of the appropriateness of the expertise and adequacy of resources of the auditee's finance function.

Consequently, this may impact on the audit committee's role in improving and providing transparency around governance, risk management, and internal control practices of the municipality.

Internal control deficiency

The accounting officer did not in all instances ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Recommendation

The audit committee should ensure the consistent performance of the responsibilities as detailed in the finding above.

Management response

Response	Name	Date
The Management agrees with the Audit finding, however, the meetings for Audit Committee were scheduled to sit on the third (3) and forth (4) quarter to consider and make inputs on compliance items such as:	S P Mosia	02 December 2020
1. Adjustment budget	(Acting Municipal Manager)	
2. Draft budget		
3. Draft IDP		



Response	Name	Date
4. Draft SDBIP 5. Final Budget 6. Final IDP 7. Final SDBIP Due to COVID being on the peak, meetings could not be held as the regulations stipulated that all gatherings and meetings were suspended and the Country was on National Lockdown and the Municipality did not have capacity for IT to assist with virtual services.		
Action to address finding	Responsible official	Due date
In the current financial year, the Municipality has been able to have 3 meetings with the Audit Committee via Virtual services since we have Insourced and capacitated our IT unit. The similar finding will not appear again as the management has resolved it.	S P Mosia (Acting Municipal Manager)	02 December 2020

Auditor's conclusion

Management response is acknowledged. Finding will remain in Annexure C of this report and management's implementation plan will be followed up in the next financial year

Annexure D: Performance management and reporting framework

The performance management and reporting framework (PMRF) consists of the following:

- Legislation applicable to performance planning, management and reporting, which includes the following:
 - MFMA
 - Municipal Systems Act 32 of 2000 (MSA)
 - Regulations for planning and performance management, 2001, issued in terms of the MSA.
 - Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006, issued in terms of the MSA.
- The Framework for Managing Programme Performance Information (FMPPI), issued by the National Treasury. This framework is applicable to all spheres of government, excluding Parliament and provincial legislatures.
- Circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives.

Annexure D – Criteria developed from the performance management and reporting framework

Criteria	Relationship to MFMA per institution	
	Municipalities	Municipal entities
Consistency: Objectives, performance indicators and targets are consistent between planning and reporting documents.		
1. Reported strategic or development objectives are consistent or complete when compared to planned objectives.	Section 121(3)(f) of the MFMA Sections 41(a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA
2. Changes to strategic or development objectives are approved	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA
3. Reported indicators are consistent or complete when compared to planned indicators	Section 121(3)(f) of the MFMA Sections 41(a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA
4. Changes to indicators are approved	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA
5. Reported targets are consistent or complete compared to planned targets	Section 121(3)(f) of the MFMA Sections 41(a) – (c) & 46 of the MSA	Section 121(4)(d) of the MFMA
6. Changes to targets are approved	Section 25(2) of the MSA	Section 54(1)(c) of the MFMA
7. Reported achievements are consistent with the planned and reported indicator and target	Section 121(3)(f) of the MFMA	Section 121(4)(d) of the MFMA
Measurability: Performance indicators are well defined and verifiable, and targets are specific, measurable and time bound		
1. A performance indicator is well defined when it has a clear, unambiguous definition so that data will be collected consistently and is easy to understand and use.	Chapter 3.2 of the FMPPi	
2. A performance indicator is verifiable when it is possible to validate or verify the processes and systems that produce the indicator.	Chapter 3.2 of the FMPPi	



Criteria	References to PMRF per institution	
	Municipalities	Municipal entities
3. A target is specific when the nature and required level of performance of the target are clearly identifiable.	Chapter 3.3 of the FMPPI	
4. A target is measurable when the required performance can be measured.	Chapter 3.3 of the FMPPI	
5. A target is time bound when the timeframes for achievement of targets are indicated.	Chapter 3.3 of the FMPPI	
Relevance: Performance indicators relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives		
1. The performance indicator and target relate logically and directly to an aspect of the institution's mandate and the realisation of its strategic goals and objectives.	Chapter 3.2 of the FMPPI	
Presentation and disclosure: Performance information in the annual performance report is presented and disclosed in accordance with the requirements contained in the legislation, frameworks, circulars and guidance		
1. Actual performance compared to planned targets and prior year performance is disclosed in the annual performance report	Section 46 of the MSA	Section 46 of the MSA
2. Measures taken to improve performance are disclosed in the annual performance report	Section 46 of the MSA	Section 46 of the MSA
3. Measures taken to improve performance are corroborated with audit evidence	Section 46 of the MSA	Section 46 of the MSA
Reliability: Recording, measuring, collating, preparing and presenting information on actual performance achievements is valid, accurate and complete.		
1. Reported performance occurred and pertains to the reporting entity.	Section 45 of the MSA	Section 45 of the MSA
2. Amounts, numbers and other data relating to reported performance are recorded and reported correctly.	Chapter 5 of the FMPPI	Chapter 5 of the FMPPI
3. All actual performance that should have been recorded is included in the reported performance information.		

Annexure E: Auditor-general's responsibility for the audit of the reported performance information

1. As part of our engagement conducted in accordance with ISAE 3000(R), we exercise professional judgement and maintain professional scepticism throughout our reasonable assurance engagement on reported performance information for selected objectives.
2. We are independent of the municipality in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International code of ethics for professional accountants* (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA codes), as well as the ethical requirements relevant to our audit in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code(s).

Quality control relating to assurance engagements

3. In accordance with the International Standard on Quality Control 1, the Auditor-General of South Africa maintains a comprehensive system of quality control that includes documented policies and procedures on compliance with ethical requirements and professional standards.

Reported performance information

4. In addition to our responsibility for the assurance engagement on reported performance information, as described in the auditor's report, we also:
 - identify and assess risks of material misstatement of the reported performance information, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. In making those risk assessments, we consider internal control relevant to the management and reporting of performance information per selected objective. 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
 - evaluate the documentation maintained by the municipality that supports the generation, collation, aggregation, monitoring and reporting of performance indicators and their related targets for the selected objectives
 - evaluate and test the usefulness of planned and reported performance information, including presentation in the annual performance report, its consistency with the approved performance planning documents of the municipality and whether the indicators and related targets were measurable and relevant
 - evaluate and test the reliability of information on performance achievement to determine whether it is valid, accurate and complete

Communication with those charged with governance

5. We communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
6. We also confirm to the accounting officer that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, the actions taken to eliminate threats, or the related safeguards applied.

Annexure F: Assessment of internal controls

Below is our assessment of the implementation of drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the [annual performance report/ insert name of performance report] and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

The internal controls were assessed as follows:

	The required preventative or detective controls were in place.
	Progress was made on implementing preventative or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

	Improved
	Unchanged
	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment						
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
• Develop and monitor the implementation of action plans to address internal control deficiencies						
• Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management						
Overall movement from previous assessment						
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
• Implement controls over daily and monthly processing and reconciling transactions						
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
• Review and monitor compliance with applicable legislation						

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information			N/A	N/A	N/A	N/A
Governance						
Overall movement from previous assessment						
• Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

D. ANNUAL PERFORMANCE REPORT

Refers to the Annual Performance Report for the 2019/2020 financial year.



ZULULAND DISTRICT MUNICIPALITY



*This report is prepared according to section 46
of the Municipal Systems Act. The report forms
part of the annual report of the Zululand
District Municipality*



ANNUAL PERFORMANCE REPORT

ANNUAL PERFORMANCE REPORT

(2019-2020)

2019 / 2020

FINANCIAL YEAR

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APPROVAL OF THE REPORT

This is to certify that this Annual Performance Report for the 2019/20 Financial Year has been prepared in accordance with the Municipal Systems Act of 2003 and regulations made under the Act, and is recommended for approval by:

N.G Mvelase

Deputy General Manager: PMS

Date

Approved by:

S.P. Mosia

Acting Municipal Manager

Date

1. FOREWORDS BY HIS WORSHIP THE MAYOR CLLR T.D BUTHELEZI



Zululand District Municipality is proud to present this 2019/2020 Annual Performance Report to the Zululand community. The Municipality remains committed to respond to the expectations of the residents and local business fraternity by providing access to quality and affordable basic services whilst doing our utmost to maintain and improve on the existing levels of infrastructure investment.

The Covid-19 pandemic had a devastating impact on the economy of the Zululand District Municipality, health and the livelihoods of its citizens. During this crisis, the municipality had still needed to function to provide essential services to the community such as water and sanitation with very minimal resources. Besides the above-mentioned core mandate of our responsibility to provide basic service to the community the Mayor had established numerous programs as a relief during the time of pandemic such as Sethembe Food Relief Program, the purpose of the programme was to provide food relief to the Zululand District Municipality communities affected by the Corona virus pandemic and the National Lockdown. Out of this program 5010 household benefited. The Mayor had established a relationship with Transnet which was aimed to relief all the house of traditional councils throughout the district and out of this program 250 food parcels were distributed to all council members of traditional house in the whole district. The municipality had ensured that all schools are being provided with water through water tankers. During this unprecedented moment in time, it is more essential than ever that the municipal sector is able to carry out its duties towards its local communities.

Basic infrastructure is our key priority as we need to provide quality services to our community and we will strive to ensure we prioritize our people's needs and deliver according to their needs and desires. The Zululand District Municipality has a very serious challenge with the

revenue collection, since many of our debtors are indigent but we have nonetheless managed to prioritize our community needs in our spending for betterment of their lives.

Despite the challenges stated above, Zululand District Municipality is a well-functioning local government institution because of the effective, efficient, but most importantly, responsible use of its resources. Testament to this is the results of the 2016 Local Government Elections. An overwhelming majority of the residents voted for the current governing party thereby expressing their satisfaction with the level and quality of services provided by the Municipality.

The greater appreciation goes to the community, council of Zululand District municipality, Amakhosi, Executive members, the Portfolio committees of council, the municipal public accounts committee, the Audit committee, performance committee, management of the municipality and all the employees of the Zululand District municipality for the guidance, commitments, support and unity shown to achieve this kind of work because this this work cannot be carried out by a single hand.

However, the Integrated Development Plan (IDP) bears testimony to the Municipality's acknowledgement that all is not done as yet. It clearly articulates the social, economic and infrastructural needs of the Zululand community for the next year. The participation of the members of the local community in the planning processes and governance structures of the municipality is imperative for the success of this Municipality. This Annual Performance Report is testimony is proof that Municipality is moving forward in transforming the lives of the citizens of the Zululand Community.

CLLR T.D. BUTHELEZI

HONORABLE MAYOR: ZULULAND DISTRICT MUNICIPALITY

2. FORWORDS BY THE ACTING MUNICIPAL MANAGER MR S.P MOSIA



This document represents the Zululand District Municipality's detailed report on the municipality's annual performance of the 2019/20 financial year. This report therefore provides a lens through which scrutiny of the progress and performance of the municipality can be made in terms of assessing achievements in efforts to realise the objectives as set by Council. As such, this report not only reflects on milestones and challenges experienced, but also on the on-going commitment to progressively deepen accountability to the citizens of Zululand District Municipality's area.

The year under audit 2019/2020, marked various changes in the administration for Zululand District Municipality. It has been a year for us to account for our actions in terms of service delivery. For the year 2020, we were significantly challenged by the COVID 19 this resulted to the Countries lockdown which led to a lot of adjustment in the administration.

Covid-19 has forced us to have employees that are technologically inclined and systems that accommodate virtual working style, Lockdown introduced cultural transformation which mostly includes teleworking although remote work facilitates business functioning it is known to create psychological impacts on employees. Workplace interactions help employees embrace into the organizational culture and enable coordination and cooperation. Teleworking also challenged a lot of employees who are not familiar with technology and mostly other employees had connection problems therefore meetings were not successful as predicted and work was not carried out to the maximum standard. Not excluding that most of our administration had to be put on hold when employees test positive for Covid-19 therefore had to be allowed to go quarantine this hindered our overall performance as the organization.

The audit outcome for 2018/19 was not favourable to the municipality as the audit processes resulted in the Municipality receiving a qualified audit opinion from the Auditor General of

South Africa, following a succession of Unqualified reports in the previous years. This opinion has made us to strategically identify the areas where gaps have been created over the years.

Notwithstanding the audit opinion, we have still been able to deliver services to our communities and in a manner that we deem satisfactory. We have also established a compliance committee which is aimed to ensure that the municipality comply with all the relevant legislations that governs local government. The committee has also developed the compliance calendar which is monitored on a monthly basis to ensure that the municipality is green on all compliant matters.

Regardless of the situation we committed ourselves to investing more effort in executing our daily responsibilities as Zululand District Municipality to ensure that our performance is of great standard and that we remain as one of the quickest developing District Municipality which is appealing to investors.

I would like to thank all the stakeholder of Zululand District Municipality for their continuous support, patience and support during this challenging time, this includes among others the community at large, the Mayor, leadership of the municipality, sector departments, all Senior Managers of the municipality, the last but not least the employees of Zululand District Municipality for their amazing support and dedication towards achieving the goal of the municipality to improve the service delivery on our community. I would like to thank everyone who was direct or indirectly involved in supporting the Zululand District Municipality. May God Bless you all and your loved ones.

MR. S.P. MOSIA

ACTING MUNICIPAL MANAGER

3. EXECUTIVE SUMMARY

Performance Management System is a strategic approach to management. It is a process which measures the implementation of the organisation's development and growth strategy. It equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques for regularly planning, continuously monitoring, and periodically measuring and reviewing the performance of the Municipality in terms of indicators and targets for efficiency, effectiveness and economy.

Performance Management System is aimed at ensuring that Municipality's monitor their Integrated Development Plan's and continuously improve their operations and in terms of Section 19 of the Local Government: Municipal Structures Act No. 117 of 1998 that they annually review their overall performance in achieving their constitutional objectives.

An effective Performance Management System is an instrument that ensures the fruitful realisation of the Municipality's Integrated Development Plan (IDP) through an effective and efficient implementation of the Annual Budget and the Service Delivery Implementation Plan (SDBIP).

This Annual Performance Report of Zululand District Municipality summarises the achievements and the non-achievements by the Municipality in ensuring that service delivery takes place and that there is pecuniary activity and alteration within the Zululand community. The Municipality remains accurate to the call of responsibility to improve the lives of the residents on the Zululand community.

4. PURPOSE OF THE REPORT

The main purpose of this Annual Performance Report is to take the accountability about the performance of the municipality to the citizens of Zululand District Municipality and also provide the progress that the municipality has achieved in improving the lives of the Zululand community through service delivery. Moreover, this report is the most important tool to the Zululand communities and other stakeholders in assessing its performance and also evaluating

how the municipality has performed throughout the financial year ended in June 2020 and also in keeping with the principles of transparency and accountability of government to the citizens. This report subscribes to the South African developmental nature of participatory democracy and co-operative governance and responds to the principles of the constitution, Batho Pele, white paper on local government, Municipality Systems Act and Municipal Financial management Act.

5. METHODOLOGY

The provision of the Municipal Systems Act (No. 32 of 2000) stipulates that municipalities needs to monitor and measure the progress of their performance by preparing quarterly and mid-year reports, as required in terms of chapter 9 of the Municipal Systems Act on performance management system. These quarterly and mid-year reports constitute the municipality's annual performance reports as required in terms of section 46 of the Municipal Systems Act. These reports are submitted to the Auditor General of South Africa, conjunction with the Annual Financial Statements for the purpose of auditing. After the council of the municipality has adopted the audited performance report as part of the Annual Report it must then be submitted to the Department of Co-operative Governance and Traditional Affairs, National and Provincial Treasury, Auditor General and other relevant stakeholders

6. LEGISLATIVE MANDATE

6.1 The Constitution of the Republic of South Africa, Act 108 of 1996:

Section 152(1) of the Constitution prescribes that the objects of local government are:

- (a) To provide democratic and accountable government for local communities;
- (b) To ensure the provision of services to communities in a sustainable manner;
- (c) To promote social and economic development;
- (d) To promote a safe and healthy environment; and
- (e) To encourage the involvement of communities and community organizations in the matters of local government.

Section (152) (2) further states that:

"A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)"

6.2 Municipal Systems Act (Act No 32 of 2000)

Chapter 6 of the Municipal Systems Act, and specifically Sections 38 to 49, deal with organizational performance management. These legislative mandates require of all municipalities to:

- Development of a performance management system;
- Monitoring and review of performance management system;
- Setting of key performance indicators and performance targets,
- Publish an annual report on performance for the benefit of the communities served by the Municipality;
- Incorporate and report on a set of general key performance indicators prescribed nationally by the Minister responsible for local government;
- Auditing of performance measurement both internally and externally;
- Annual reporting on performance.

Chapter 7 of the Municipal Systems Act deals with local public administration and human resources. In particular, section 57 of this Chapter requires that the Municipal Manager and those officials reporting directly to the Municipal Manager (i.e Section 57 employees) sign annual performance agreements. An individual performance plan must be attached to the performance agreement and it must include a set of performance measures that will enable actual performance of individuals to be assessed against planned performance.

6.3 Local Government: Municipal Planning and Performance Management Regulations, 2001

These Regulations were passed by the Minister responsible for local government in terms of Section 49 of the Municipal Systems Act. These Regulations spell out the performance management responsibilities of municipalities in more detail. They deal with:

- The nature of the PMS;
- The adoption of the PMS;
- The setting of key performance indicators;
- The general key performance indicators published by the Minister, which reflect the object of developmental local government;
- The review of key performance indicators;
- Setting of performance targets;
- Monitoring, measurement and review of performance;
- Internal auditing of performance measurements; and
- Community participation.

The regulations further instruct a 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;
- A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.

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

6.4 Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006:

These regulations prescribe how the performance of municipal managers and managers' directly accountable to municipal managers must be directed, monitored and improved. The regulations include the following:

- (i) Chapter 2: requirements and provisions of employment contracts;
- (ii) Chapter 3: performance agreements, including prescribed key performance areas (KPA's) and core competency requirements (CCR's);
- (iii) Chapter 4: the content of a job description for municipal managers.

6.5 Municipal Finance Management Act.

In terms of Section 53 (1) of the Municipal Finance Management Act of 2003 (MFMA), the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

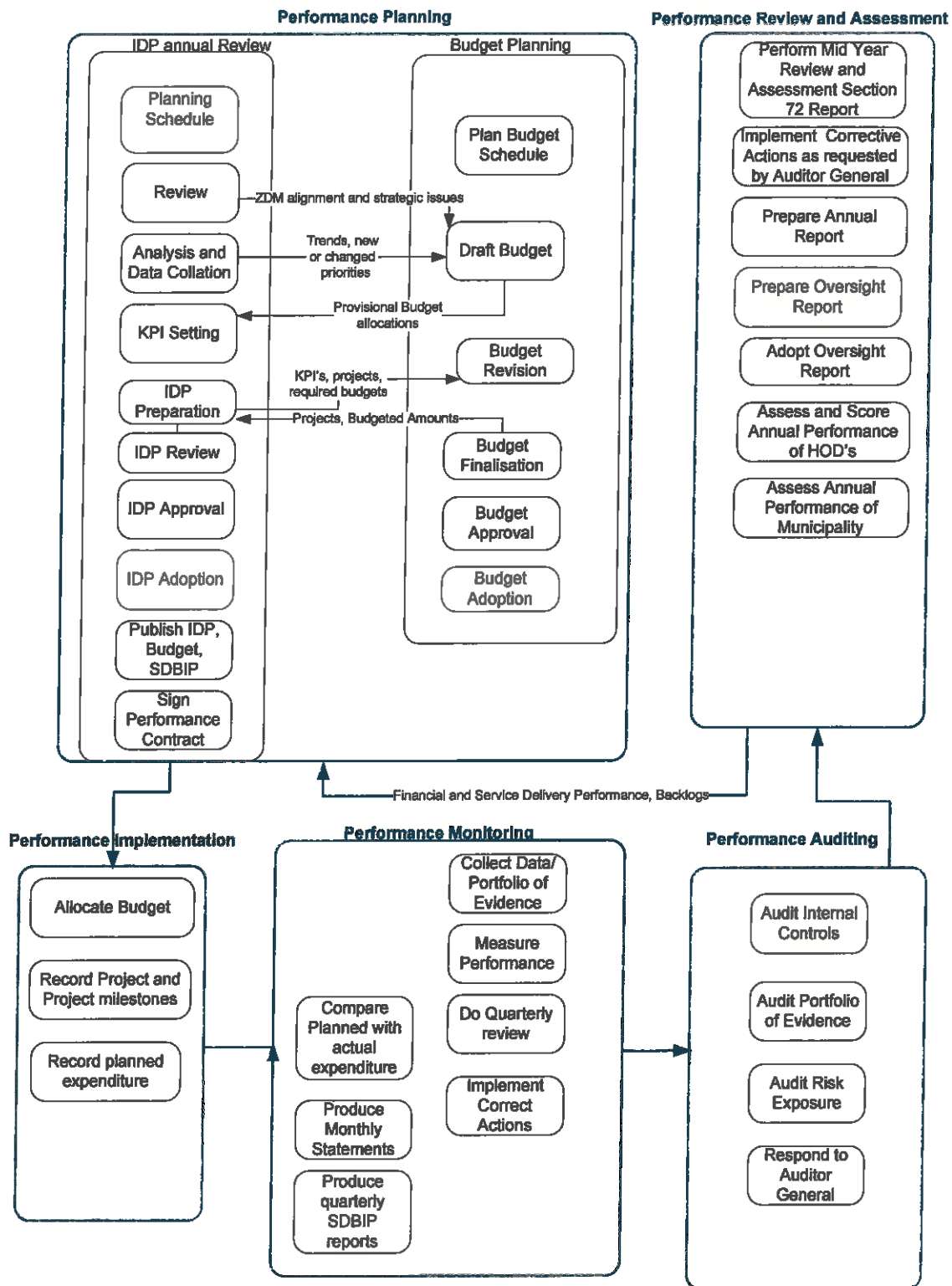
Annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act for the Municipal Manager and all Senior Managers must also be concluded and

they must be linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan.

The Service Delivery Budget Implementation Plan (SDBIP) and these performance agreements therefore give effect to the Integrated Development Plan (IDP) and budget of the municipality in ensuring that the execution of the budget, performance of senior management and achievement of the strategic objectives set by the Council are monitored.

The MFMA stipulates general responsibilities of Mayors. Section 52 (d) of the Act requires that a Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.

7. PERFORMANCE MANAGEMENT PROCESS OVERVIEW



8. PERFORMANCE AND SUPPORTING INFORMATION

This section of the report highlights the overall performance of Zululand District Municipality for the financial year 2019/2020 ending in 30 June 2020 making references to the supporting portfolio of evidence which is encompassed on the Zululand District Municipality scorecard.

The report of performance management system of Zululand District Municipality has incorporated all Six (6) National Key Performance Areas and it is inline with the requirements of the Municipal Systems Act of 2000, Section 46 and therefore: reflects the performance of the municipality for the financial year under review, comparison to performance of previous financial years, reasons for variances for all Key Performance Indicators not achieved are stated on the report and lastly the corrective actions to improve performance in the Zululand District Municipality are stated on this report.

9. BACKGROUND TO MUNICIPAL SCORECARD

The Municipal Scorecard **Annexure 1** approach reflects the 6 national KPA's and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on measures included within the Municipal Scorecard. This incorporates 49 priority measures selected from the IDP. The criteria used reflect factors such as previous performance levels, comparative performance and budget implications. These were agreed by Council on 30 June 2019. These targets were reviewed and updated at Council meeting on 30 June 2019.

10. ANNUAL ORGANISATIONAL PERFORMANCE INFORMATION

Performance monitoring underpins the implementation of the municipal Integrated Development Plan by reviewing performance targets on a regular basis to identify underperformance in order to implement remedial action timeously so that targets are achieved and value for money is easily identified in the service provided to the community.

Performance targets for the financial year of 2019/2020 were developed and outlined in both the departmental and organizational Scorecard that was adopted together with the IDP. During

the adjustment period the departmental and organizational Scorecard were adjusted to be in line with the adjustment budget. The adjustment was approved by Council and uploaded on the municipal website for public viewing and information.

The draft Annual Performance Report provides an illustration on how the Zululand District Municipality performed against its predetermined objectives and targets both on the departmental and the organizational scorecards. The Annual Performance Report together with the Annual Financial Statements will be submitted to the office of the Auditor General on the 30th October 2020. The summary of performance results of the organization is outlined on the table below.

10.1 Overall performance of the Municipality for 2019/2020 compared to 2018/2019 financial year.

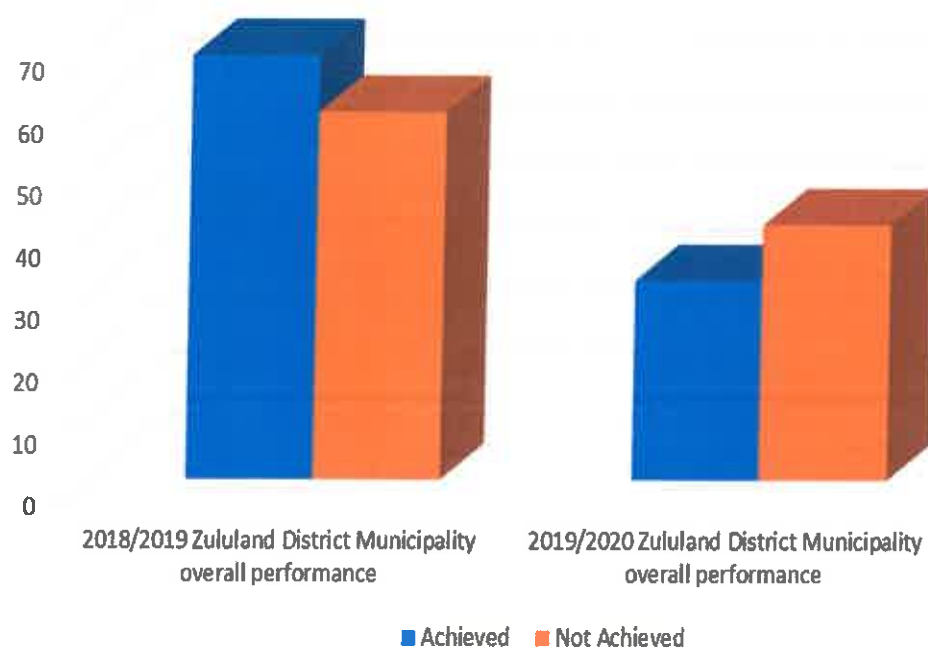
The table and the graph below illustrate the summary of overall performance of the Municipality for the financial year ending in 30 June 2020. This means that it is a tabulation of the total percentage of targets set by all directorates combined, which then gives a picture of how the Municipality has performed.

Overall, the performance of the Zululand District Municipality reverted from 68% to 59% between the 2018/19 and 2019/20 financial year.

This is the important concern with the biggest contributors being the slow pace of service delivery as contractors were suspended on sites and employees being quarantined due to corona virus pandemic, cost cutting measures, slow pace of clearing audit queries, non-implementation of workplace skills development programme and account adjustments. These will be monitored closely in the beginning of the next financial year and targets adjusted accordingly. Controls will receive particular attention in all departments of the municipality.

2018/2019		2019/2020	
Achieved	Not Achieved	Achieved	Not Achieved
68%	32%	59%	41%

Overall Performance of the Municipality for 2018/2019 and 2019/2020 financial years.

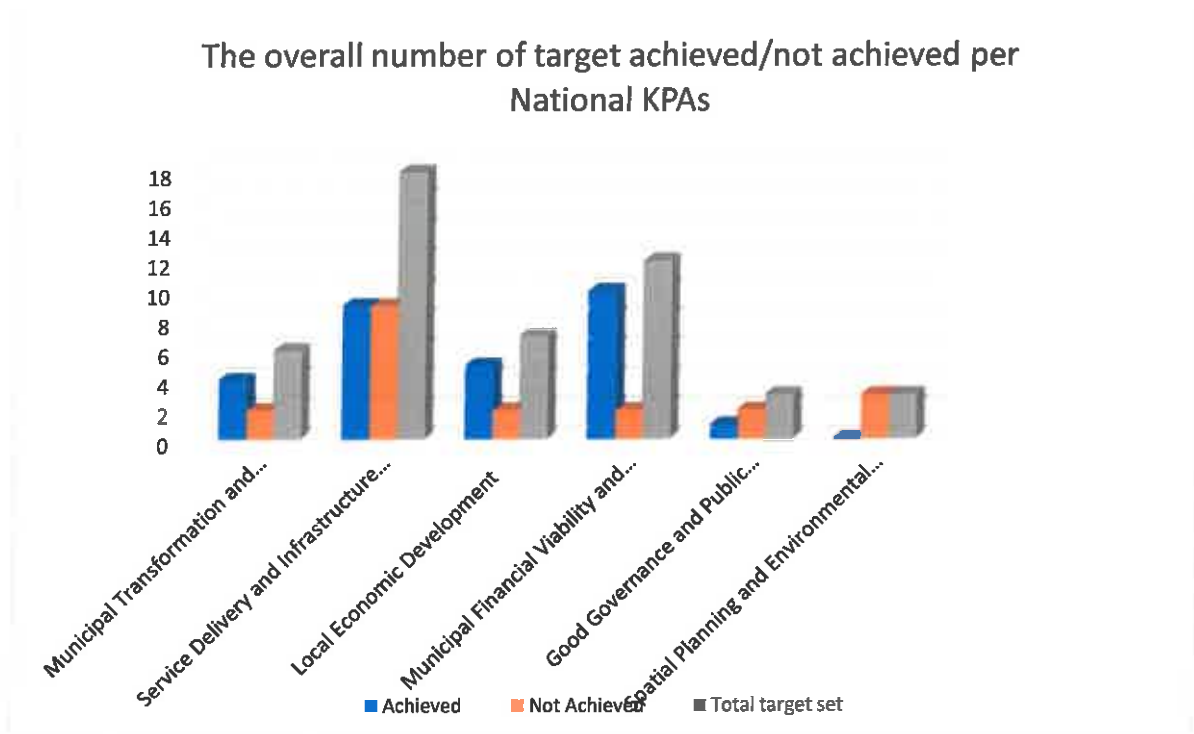


10.2 Overall performance of the Municipality for 2019/2020 financial year per National KPA.

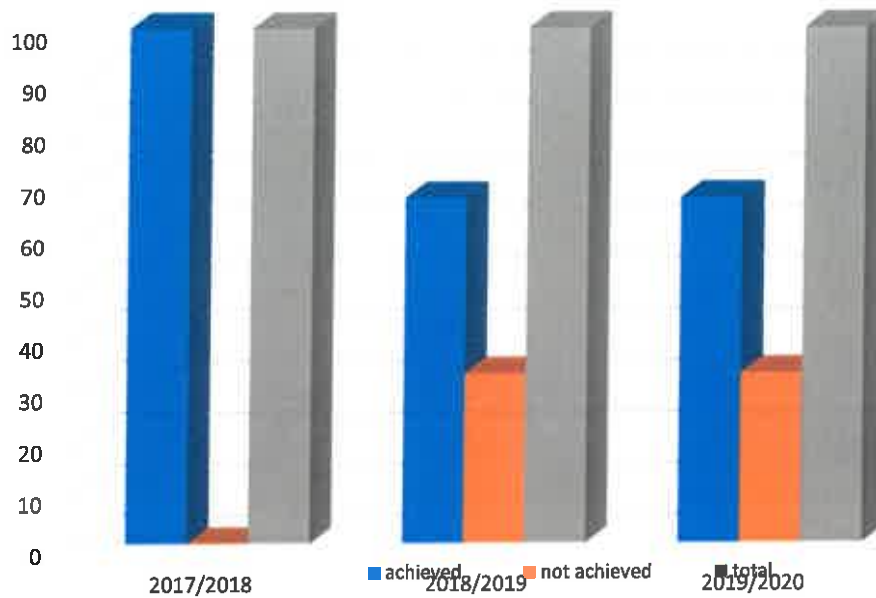
The table below illustrates the summary of overall performance of the Municipality for the financial year ending June 2020. This means that it is a tabulation of the total number of targets set for all directorates combined, which then gives a picture of how the Municipality has performed. This simple summarised that out of the total of 49 Key Performance indicators set for the municipality, the Zululand District Municipality only managed to achieve 29 key performance indicators and only 20 KPIs were not achieved. The report has indicated reasons for variance for each Key Performance Area and also the corrective actions to be implemented to improve performance have been outlined in this report per each Key Performance Area. A detailed clarification on the reasons for variance and corrective actions per KPI can be accessed on the attached annexure A which is the organisational scorecard which then will give a detailed report per each KPI that the Municipality could not achieve.

KPA	No. of Targets set for the year	No. of Targets achieved	No. of Targets not achieved
Service Delivery and Infrastructure Provision	18	9	9
Local Economic Development	7	5	2
Municipal Financial Viability and Management	12	10	2
Spatial Planning and Environmental Management	3	0	3
Municipal Transformation and Organizational Development	6	4	2
Good Governance and Public participation	3	1	2
Total	49	29	20

Graph presentation of overall the overall number the targets achieved/ not achieved per National KPA



Municipal Transformation and organisational Development



- The overall score for the KPA is 67 % for the year 2019/2020 same as 2018/2019 financial year

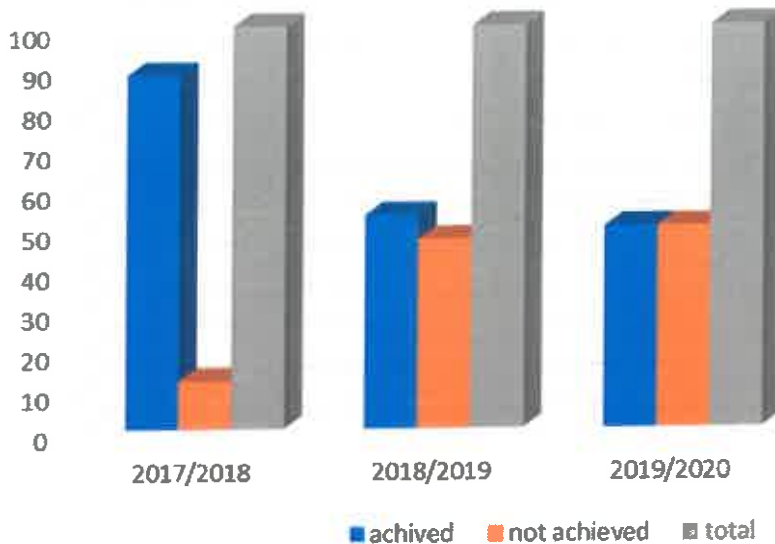
Challenges

- Due to Covid-19 corona virus pandemic the LED plan was not submitted to council and also the LLF 4th quarter meeting could not sit since members were being quarantined.

Measures Taken to Improve Performance

- The LED plan will be submitted to the first council meeting of the following financial year 2020/2021 and the LLF meeting will be held through zoom.

Basic Service Delivery and basic Infrastructure



- The overall score for the KPA is 50% for the year 2019/2020 down by 3% from 2018/2019 financial year

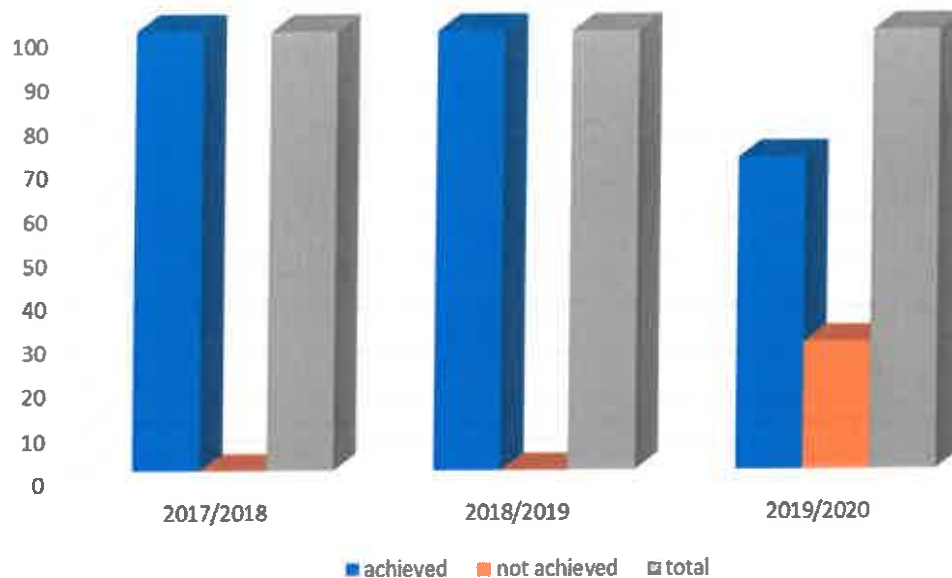
Challenges

- On the 24th of March 2020, the president of South Africa announced that the country should go under national lockdown and for that reason all contractors on sites were suspended.

Measures Taken to Improve Performance

- As soon as the contractors are permitted to get back on sites, the municipality will request all the contractors appointed by the municipality to add more plant, labour and other working equipment to ensure that the progress is fast tracked.

Local Economic and Social Development



- The overall score for the KPA is 71% for the year 2019/2020 down by 29 % from 2018/2019 financial year

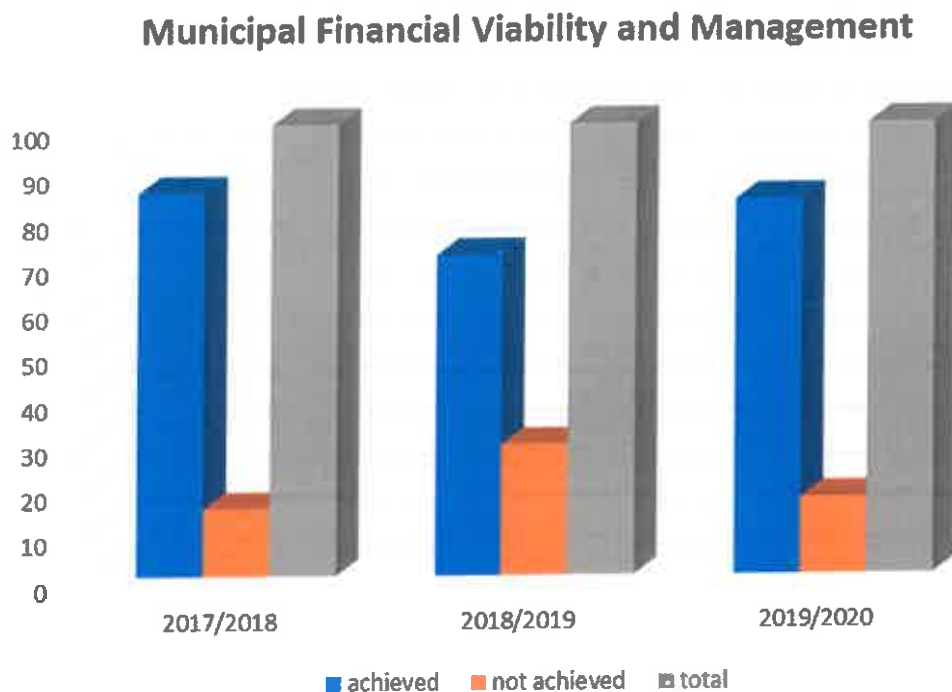
Challenges

- On the 24th of March 2020, the president of South Africa announced that the country should go under national lockdown in that regard the municipality could not be able achieve KPI number 51 as all operations were suspended so the service provider was not appointed on time.
- KPI number 55 was not budget for in this financial year, the municipality has a cashflow problem.

Measures Taken to Improve Performance

- The service provider will be appointed in 2020/2021 financial year to assist the municipality in achieving KPI number 51

- The HOD community services to ensure that KPI number 55 is budget for 2020/2021 financial year.



- The overall score for the KPA is 83 % for the year 2019/2020 up by 71 % from 2018/2019 financial year

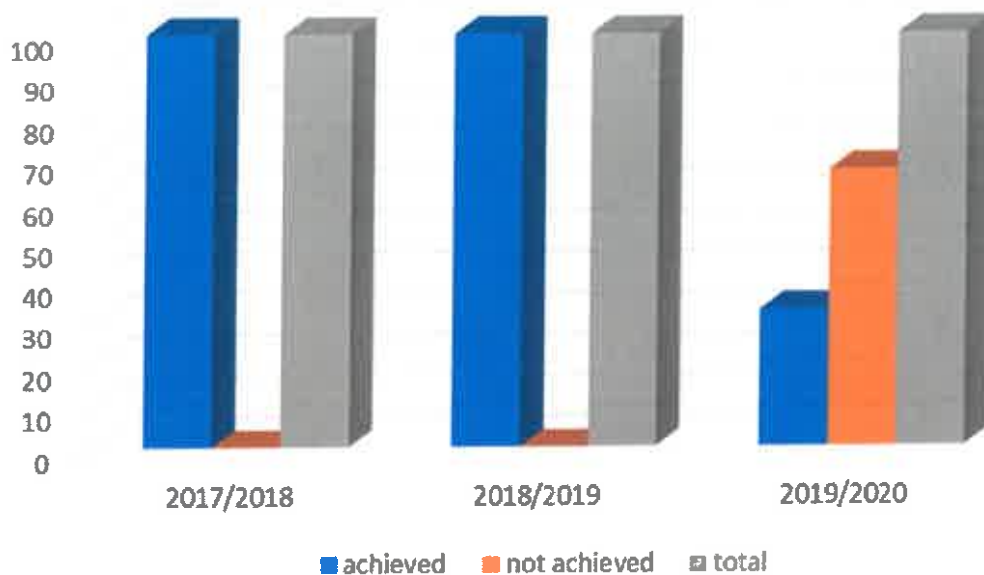
Challenges

- Monitoring of reports was lacking and cashflow problems

Measures Taken to Improve Performance

- Submission of reports to oversight committees will be monitored regularly.

Good Government and Public Participation



- The overall score for the KPA is 33 % for the year 2019/2020 down by 67 % from 2018/2019 financial year

Challenges

- Huge down fall is from the customer care system Siza report, all complaints were resolved but not closed on the Siza system due to shortage of staff in the technical department to capture all the complaints that have been resolved on sites.

Measures Taken to Improve Performance

- Add more staff to access the system so they can timeously capture all the resolved complaints on the Siza system.

Spatial Planning and Environmental Management



- The overall score for the KPA is 0 % for the year 2019/2020 new KPA for Zululand District Municipality was not applicable in 2018/2019 financial year

Challenges

- The SEMP was not implemented because the EMF was not gazette
- The SDF was not submitted to council because the service provider was not appointed on time, due to Covid-19 pandemic as all operations were suspended
- Planning and development technical forum could not sit because of the covid-19 pandemic

Measures Taken to Improve Performance

- The EMF will be gazetted in 2020/2021 financial year
- Appointment of service provider for SDF development be finalized in 2020/2021 financial year.
- Virtual meetings be held in future.

11. KEY AREAS TO NOTE

This section contains the key areas that must be noted by Zululand District Municipality.

11.1 Improved Performance

Zululand District Municipality's overall achievement has dropped due to challenges and economic instability faced by the entire Country of the Pandemic which led the Country to be on National Lockdown. The Municipality has shown stability in the Municipal Transformation and Organisational Development KPA which remained 67% for 2018/2019 and 2019/2020. Improvement was seen in the Municipal Financial Viability and Management KPA from 71% in 2018/2019 to 83% in 2019/2020.

11.2 Deteriorating Performance

The decline in Municipal performance is largely caused by the Pandemic where the Municipality could not operate on normal circumstances. The table below presents how each Key Performance Area (KPA)

KEY PERFORMANCE AREA (KPA)	2018/2019 %	2019/2020 %	INCREASE / DECLINE
Municipal Transformation and Organisational Development	67%	67%	↔
Basic Service Delivery	53%	50%	↓
Local Economic Development	71%	42%	↓
Good Governance and Public Participation	63%	33%	↓
Municipal Financial Viability and Management	71%	83%	↑

ASSESSMENT OF THE PERFORMANCE OF EXTERNAL SERVICE PROVIDER

The monitoring of the service provider performance is ensured through the signing of the Service Level Agreement. It is currently being done by user department levels. The end user department is providing monthly reports to the SCM unit as well. Service providers who fail to perform are reported to SCM and the necessary action is taken including the termination of the contract or cancellation of an order.

Example:

Assessment Key	
Good (G)	The service has been provided at acceptable standards and within the time frames stipulated in the SLA/Contract
Satisfactory (S)	The service has been provided at acceptable standards and outside of the timeframes stipulated in the SLA/Contract
Poor (P)	The service has been provided below acceptable standards

Bid Number	Name of external Service Provider	Date Contract Awarded	Service provided in terms of the SLA	Value of project	Comparison with previous year		Current Financial Year		Assessment of Service Providers Performance		
					Target	Actual	Target	Actual	G	S	P
Zdm007	Amalon	07/08/	Supply and	Rates			Zdm	Zdm		*	

/2020	doh constr	2019	instaallatio n of h2o distribution points				areas	areas			
Zdm 005/20 20	Phindil e civils and buildin g project s	10/10/ 2019	Drilling and testing 20 boreholes	R 115195 96			Zdm north	Zdm north	*		
zdm004 /2020	Isiphiw o trading jv thavest er	10/10/ 2019	Drilling and testing 70 boreholes	R 128105 28.50			Zdm south	Zdm south	*		
Zdm025 /2019	Egxe ni engine ering	08/10/ 2019	Nqulwane Ratification	R 178000 00			ZDM Nqulwa ne	ZDM Nqulwa ne		*	
Zdm018 /2019	Jade star trading	15/11/ 2019	Usuthu RWSS	R 232394 38.14			Mecha nical installa tion	Mecha nical installa tion	*		
Zdm016 /2019	Africa mayibu	16/08/ 2019	Financial recovery	R 265291			Recover y	Recover y		*	

	ye			2								
Zdm011 /2019	Magna corp	01/11/ 2009	Simdlanget sha west	R 292723 06.33			Staff acc	Staff Acc		*		
Zdm010 /2019	Counte rpoint jv charlies	10/10/ 2019	Simdlanget sha west	R 332754 21.04			Constr. Of main and abstrac tion	constra ction	*			
Zdm009 /2019	Zanam anzi	15/11/ 2019	Upgrade h2o treatment	R 289835 24.94			Upgrad e	Upgrad e	*			
Zdm008 /2019	Counte rpoint jv charlies	15/11/ 2019	Upgrade of enkonjeni h2o scheme	R 140527 92.47			Upgrad e	Upgrad e	*			
Zdm105 /2018	27 yrs roben island	23/09/ 2019	Water demand	R 314865 3.66			Manag emant	Manag ement		*		
Zdm 049/20 15	Zanam anzi	06/01/ 2020	Pumpsatati on	R 288939 37.70			Mache nical installa tion	Installa tion	*			
Zdm007 /2016	Zanam anzi	06/01/ 2020	Pumpstatio n	R 338501			Installa tion	Installa tion	*			

				49.04								
Zdm009 /2019	Thaves ter	23/12/ 2019	Upgraderet iculation	R 870264 8.46			Upgrad e	Upgrad e	*			
Zdm025 /2020	Ladum a	23/12/ 2020	Promotiona l material	R 724500			Promoti onal material l	Promoti onal material l	*			
Zdm012 /2020	AK Securit y	24/04/ 2020	Security services	rates			Security services	Security services	*			
Zdm013 /2020	Mseng e Protect ion	24/04/ 2020	Security services	rates			Security services	Security services	*			
Zdm014 /2020	Aros Protect ion	24/04/ 2020	Security services	rates			Security services	Security services	*			
Zdm016 /2020	zamisa nani	15/05/ 2020	1800 precast	R 136495 57.63			precast	1800	*			
Zdm017 /2020	Elda n shalom	15/05/ 2020	2200 precast	R 167590 03.36			precast	2200	*			
Zdm033	Uhaqa	17/04/	Water	rates			Portabl	Portabl	*			

/2020	ne	2020	tankers				e water	e water			
Zdm033 /2020	First works	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water			*
Zdm033 /2020	Multi solutio n	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	Kadulel e	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	Zibula ngetho kazi	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		
Zdm033 /2020	khaben i	17/04/ 2020	Water tankers	rates			Portabl e water	Portabl e water	*		

ANNUAL PERFORMANCE REPORT - ZULULAND DISTRICT MUNICIPALITY - 2019/2020

1 - Basic Service Delivery and Infrastructure

Basic Service Delivery and Infrastructure

Program Driver	Objective	Indicator	KPI No	Baseline	Current year 2019/2020		Target date	Status	Responsible unit	POE	Reason for variance	Corrective action
					Target	Actual						
HOD (P)	Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment	Current Ratio	2		01:05	0.45	30-Jun-20		Budget		01:05 The municipality does not have short term investment plan for 2020/21. Government grants that will be transferred to short term investments will be received during Q1 of 2020/21.	to develop budget funding plan for 2020/21 financial year.
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	% of MIG Expenditure spent compared to accumulative budget for the period: Actual MIG/Planned MIG for the relevant period *100	3	new KPI	100%	100%	30-Jun-20		PMU	AFS	N/A	N/A
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Percentage of clinics throughout the district with access to water by specified date	4	new KPI	100%	100	30-Jun-20		PMU	Public institutions audit report	N/A	N/A
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Percentage of schools throughout the district with access to water by specified date	5	new KPI	100%	100	30-Jun-20		PMU	Public institutions audit report	N/A	N/A
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Sec 43 (Reg 10 (a)): Percentage of households with access to basic level of water	6	0.45% new HH	77.19	77.13	30-Jun-20		PMU	Engineers Certificate; Survey	Due to National COVID 19 Lockdown, all contractors were suspended on site	when contractors are permitted to get back on site, will request to increase plant and other working equipments to fast track the progress.
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Sec 43(Reg 10 (a)): Percentage of households with access to basic level of sanitation	7	0.13% new HH	84.27	83.54	30-Jun-20		PMU	Engineers Certificate; Survey	Due to National COVID 19 Lockdown, all contractors were suspended on site	when contractors are permitted to get back on site, will request to increase plant and other working equipments to fast track the progress.
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Sec 43(Reg 10 (b)): Percentage of households earning less than R1600 pm with access to free sanitation	8	0.15% new HH	84.34	83.95	30-Jun-20		PMU	Engineers Certificate; Survey	Due to National COVID 19 Lockdown, all contractors were suspended on site	when contractors are permitted to get back on site, will request to increase plant and other working equipments to fast track the progress.
HOD (P)	Build adequate capacity, eliminate operational inefficiencies, streamline and refine processes and systems and establish partnerships with government and private sector to accelerate provision of universal, equitable & consistent access to the municipality	Sec 43(Reg 10 (b)): Percentage of households earning less than R1600 pm with access to free water (Note: Rudimentary LOS Included)	9	1.97% new HH	48.77	69.13	30-Jun-20		PMU	Engineers Certificate; Survey	N/A	N/A
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airport/district roads)	% of unaccounted for water quarterly	11	New KPI	70.00	66.7	30-Jun-20		BULK	UAW Reports	Due to national lockdown all contractors were suspended on site	the target will be achieved as lockdown level decreases to all more staff on site
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airport/district roads)	Actual Repairs and Maintenance as a % of Budgeted Repairs and Maintenance expenditure Formula: (Actual R&M/Budgeted R&M)*100	12	New KPI	100.00	138.0	30-Jun-20		C&M	Expenditure reports	Infrastructure aging and insufficient budgets results in over-spending	Increase future budgets
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airport/district roads)	Average time of notification to community prior to planned interruptions	13	New KPI	24.00	31.7	30-Jun-20		C&M	Water notices	N/A	N/A

Area maintained (Water/sanitation, disaster/line management, district airports, district roads)									
Indicator	Indicator description	Indicator unit	Indicator value	Indicator date	Indicator status	Indicator description	Indicator unit	Indicator value	Indicator date
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no
HOD (CS)	Progressively enhances the capabilities of the municipality to prevent and respond to disasters effectively and efficiently by complying with laws, building disaster management capacity, strengthening relations with stakeholders and improve community	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8
HOD (P)	Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8
2 - Good Governance and Public Participation									
Good Governance and Public Participation									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (CS)	A sound customer/client relationship, improved accountability and responsiveness to the community is achieved and sustained	Number of disaster/municipal health awareness campaigns held by specified date	21	20	4	9	30-Jun-20	Disaster management	Internal memo and attendance register
HOD (TS)	Effectively handling of community enquiries and responding through an effective customer care service	Percentage of logged complaints resolved by specified date	27	new KPI	70.00	33%	30-Jun-20	O&M	Size (Customer Care) report
HOD (P)	Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in line with any applicable legislation	Sec 43 (Reg 10 (c)): Percentage of capital budget actually spent on projects identified in IDP	25	100	100	100	30-Jun-20	PMU	AFS
3 - Spatial Planning and Environmental Management									
Spatial Planning and Environmental Management									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (P)	Promoting and conserving the natural environment through land use management policies, plans and frameworks	Percentage of identified activities from the SEMP implemented by a specified date	32	new KPI	20	0	30-Jun-20	GIS	Progress report tabled to the Planning & GIS Portfolio Committee

Area maintained (Water/sanitation, disaster/line management, district airports, district roads)									
Indicator	Indicator description	Indicator unit	Indicator value	Indicator date	Indicator status	Indicator description	Indicator unit	Indicator value	Indicator date
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no
HOD (CS)	Progressively enhances the capabilities of the municipality to prevent and respond to disasters effectively and efficiently by complying with laws, building disaster management capacity, strengthening relations with stakeholders and improve community	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8
HOD (P)	Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8
2 - Good Governance and Public Participation									
Good Governance and Public Participation									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (CS)	A sound customer/client relationship, improved accountability and responsiveness to the community is achieved and sustained	Number of disaster/municipal health awareness campaigns held by specified date	21	20	4	9	30-Jun-20	Disaster management	Internal memo and attendance register
HOD (TS)	Effectively handling of community enquiries and responding through an effective customer care service	Percentage of logged complaints resolved by specified date	27	new KPI	70.00	33%	30-Jun-20	O&M	Size (Customer Care) report
HOD (P)	Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in line with any applicable legislation	Sec 43 (Reg 10 (c)): Percentage of capital budget actually spent on projects identified in IDP	25	100	100	100	30-Jun-20	PMU	AFS
3 - Spatial Planning and Environmental Management									
Spatial Planning and Environmental Management									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (P)	Promoting and conserving the natural environment through land use management policies, plans and frameworks	Percentage of identified activities from the SEMP implemented by a specified date	32	new KPI	20	0	30-Jun-20	GIS	Progress report tabled to the Planning & GIS Portfolio Committee

Area maintained (Water/sanitation, disaster/line management, district airports, district roads)									
Indicator	Indicator description	Indicator unit	Indicator value	Indicator date	Indicator status	Indicator description	Indicator unit	Indicator value	Indicator date
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20	Number of contractors who benefited from the municipal capital programme by specified date	20	30-Jun-20	20
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8	Percentage of samples that pass laboratory tests	94.8	30-Jun-20	94.8
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no	Sec 43 (Reg 10 (d)): Number of jobs created through LED & Capital programme	no	30-Jun-20	no
HOD (CS)	Progressively enhances the capabilities of the municipality to prevent and respond to disasters effectively and efficiently by complying with laws, building disaster management capacity, strengthening relations with stakeholders and improve community	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118	Number of lightning conductors installed in identified rural households by specified date	118	30-Jun-20	118
HOD (TS)	All categories of Municipal infrastructure and resources are stable and maintained (Water/sanitation, disaster/line management, district airports, district roads)	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8	Water supply interruption time per plant less than specified target	3.8	30-Jun-20	3.8
HOD (P)	Continuously managing all developed infrastructure capital assets to minimize the total cost of owning and operating these assets while delivering the desired service levels & protecting the natural environment	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8	Number of water service provider performance reports (WSP) considered by WSA per quarter	8	30-Jun-20	8
2 - Good Governance and Public Participation									
Good Governance and Public Participation									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (CS)	A sound customer/client relationship, improved accountability and responsiveness to the community is achieved and sustained	Number of disaster/municipal health awareness campaigns held by specified date	21	20	4	9	30-Jun-20	Disaster management	Internal memo and attendance register
HOD (TS)	Effectively handling of community enquiries and responding through an effective customer care service	Percentage of logged complaints resolved by specified date	27	new KPI	70.00	33%	30-Jun-20	O&M	Size (Customer Care) report
HOD (P)	Systematic development and or review and monitoring implementation of all municipal policies, bylaws, strategies, plans and frameworks in line with any applicable legislation	Sec 43 (Reg 10 (c)): Percentage of capital budget actually spent on projects identified in IDP	25	100	100	100	30-Jun-20	PMU	AFS
3 - Spatial Planning and Environmental Management									
Spatial Planning and Environmental Management									
Program Driver	Objective	Indicator	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE
HOD (P)	Promoting and conserving the natural environment through land use management policies, plans and frameworks	Percentage of identified activities from the SEMP implemented by a specified date	32	new KPI	20	0	30-Jun-20	GIS	Progress report tabled to the Planning & GIS Portfolio Committee

HOD (P)	Promoting and conserving the natural environment through land use management policies, plans and frameworks	Reviewed Spatial Development Framework submitted to Council by specified date	33	new KPI	30/06/2020	0	30-Jun-20	IDP	Minutes of the SDF Project Steering Committee; minutes of the Planning & GIS Portfolio Committee	Due to National COVID 19 Lockdown, service provider not appointed on time	appointment of service provider to be finalised in 2020/2021 financial year
	Promoting integrated human settlements in spatial development strategies, frameworks and policies	4 Planning and Development Technical Forums held per quarter	34	new KPI	4	3	30-Jun-20	IDP	Minutes; Attendance Register	Due to National COVID 19 Lockdown, service provider not appointed on time	virtual meetings to be held in future

4 - Municipal Transformation and Organizational Development

Municipal Transformation and Organizational Development											
Program Driver	Objective	Indicator	KPI No	Baseline	Annual		Target Date	Status	Responsible unit	POE	corrective action
					Target	Actual					
HOD (Co)	Optimise workforce productivity by enforcing a sound organizational culture	% of budgeted vacant posts filled according to the adopted organization by specified date	35	new KPI	85.00	175.41%	30-Jun-20		HR	Adverts of posts; HR Report; Signed Contracts.	N/A
HOD (Co)	Optimise workforce productivity by enforcing a sound organizational culture	Number of employees trained on Batho Pele principles and service delivery charter by specified date	37	new KPI	200.00	231 employees were trained.	30-Jun-20		HR	Memos; Attendance Registers	N/A
HOD (Co)	Optimise workforce productivity by enforcing a sound organizational culture	Sec 43(reg 10)(i): Percentage of Municipal budget actually spent on skills Development Plan	40	55.42%	100.00	109.77%	30-Jun-20		HR	Training Report & Emails communications	N/A
HOD (CS)	Systematic review and monitoring implementation of all municipal policies, bylaws, strategies plans and frameworks in line with any applicable legislation	LED Plan reviewed and adopted by specified date	41	new KPI	30/06/2020	n/a	30-Jun-20		LED	Emerging farmers support plan	Due to Covid 19 Pandemic the LED plan was not submitted to council
HOD (CS)	Systematic review and monitoring implementation of all municipal policies, bylaws, strategies plans and frameworks in line with any applicable legislation	Municipal health bylaws submitted for gazetting to COGTA by specified date	42	new KPI	15/04/2020	30/03/2020	30-Jun-20		Municipal Environmental health	There is a signed Reviewal of the municipal health plan and Full Final laboratory report	N/A
HOD (Co)	Working with recognised worker unions active in the municipality to promote and encourage orderly collective bargaining	1 Local labour forum meetings held per quarter	41	new KPI	4.00	LLF Meetings were held in Q1; Q2; Q3.	30-Jun-20		HR	Attendance registers & Minutes.	Due to National COVID 19 Lockdown, 4th quarter meeting could not sit

5 - Local Economic and Social Development

Local Economic and Social Development											
Program Driver	Objective	Indicator	KPI No	Baseline	Annual		Target Date	Status	Responsible unit	POE	corrective action
					Target	Actual					
HOD (CS)	Assess environmental health risk, provide information to the public and implement a range of programmes and projects to create partnerships amongst communities, health services, housing department and private sector	Reviewed Municipal Health Plan tabled to the Council by specified date	49	01/07/2019	30/06/2020	28/03/2020	30-Jun-20		Health	proof of submission of municipal health operational plan	N/A
HOD (CS)	Build the capacity of emerging farmers to market produce through transformation of the local economy and local marketing and harnessing existing commodity value chains	Engaging farmer and SME support plan prepared and submitted to the Municipal Manager by specified date	50	new KPI	30/05/2020	30/12/2019	30-May-20		LED	ZDM Schemba agricultural support programme	N/A

development programme	Social Development programme submitted to the Municipal Manager by specified date	51	new KPI	30/06/2020	0	30-Jun-20	proof of submission	the social development program was not developed due to covid-19 pandemic, as all operations were suspended, we could not appoint the service provider to assist with the development of the program.	the service provider will be appointed next financial year.
HOD (CS)	Enhance needs of economic activity through a town and village development programme	52	new KPI	1	2	30-Jun-20	Special Programmes	Budget confirmation of Majoreks and agreement	N/A
HOD (CS)	Promote skills development aligned with economic sectors to enable communities to participate in the local economy	53	new KPI	4	5	30-Jun-20	LED	Attendance register	N/A
HOD (CS)	Promote the establishment of strategic tourism linkages and attractions of the District, while actively facilitating the development of authentic, focused and sophisticated tourism assets	54	new KPI	23/03/2020	23/03/2020	30-Jun-20	Tourism	There is a letter to Department of Economic Development, Tourism and Environmental Affairs and Agreement	N/A
HOD (CS)	Promote the establishment of strategic tourism linkages and attractions of the District, while actively facilitating the development of authentic, focused and sophisticated tourism assets	55	new KPI	Not Achieved	Not Achieved	30-Jun-20	Tourism	acknowledgement of receipt by the MM	KPI no. 55 was not budgeted for in this financial year. We had a cashflow problem

8 - Financial Viability and Management

Financial Viability and Management

Program Driver	Objective	KPI No	Baseline	Target	Actual	Status	Responsible unit	POE	reason for variance	corrective action
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	56		80%	96%		Budget	Statement of financial position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	57		15.00	40%		Payments	Statement of financial position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	58		85.00	180%		Income	Statement of financial position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year reports DP & AR	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	59		30 days	30 days		Payments	Statement of Financial Position, Notes to AFS, Budget, In-year reports and AR, Age Analysis of Creditors	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	60		9%	13%		SCM	Statement of Financial Performance, Notes to Annual Financial Statements and AR	monitoring of irregular reports was lacking	submission of irregular report for overweight regularly
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	61		85%	100%		Budget	Statement Financial Position, Budget and AR	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	62		180.00	335		Income	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-Year	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	63		2.00	36%		Budget	Statement of Financial Performance, Budget, In-Year reports, AR, Statement of comparison of budget and actual amounts and statement	N/A	N/A

cash balance, coverage and liquidity ratios		Number of budgetary meetings held by specified date		64		4.00	4	30-Jun-20		Budget	Budget Portfolio Minutes	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	65		5%		6%	30-Jun-20		Income	Statement Financial Performance, BUDGET, IDP, In-year reports & AR	N/A	N/A
HOD (F)	Apply sound financial management practices to keep a positive cash balance, coverage and liquidity ratios	Sec 42 (Reg 10 (g)(ii)): Cost Coverage(Excl. Unspent Conditional Grants)	67		1.00		0.0005	30-Jun-20		Budget	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In - Year reports, IDP and AR	The municipality does not have short term investment as at 30 June 2020. Government grants that will be transferred to short term investments will be received during Q1 of 2020/21.	to develop budget funding plan for 2020/2021 financial year.
HOD (F)	Refine procurement systems and processes to respond to the demand for services	Reviewed SCM policy submitted to the Council by 30 June 2020	68		30/06/2020	28/10/2019	20/05/2020	30-Jun-20		SCM	council resolution	N/A	N/A

E. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by COGTA and National Treasury.

The Annual Financial Statements have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines including GRAP.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 30 June 2020.

Yours faithfully

Accounting Officer

Name:

Date:

F. REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Zululand District Municipality (hereinafter referred to as "The Committee") has pleasure in submitting this annual report. This report is submitted in terms of the provisions of sections 121(3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial period from 1 July 2018 to 30 June 2019.

COMMITTEE MEMBERS AND ATTENDANCE

The Committee consist of the members listed hereunder and meets as a minimum, four times a year as per the approved Audit Committee Charter. The committee members consist as follows:

Audit Committee members for the 2019/2020 financial year

Mrs Z Dlamini (Chairperson)

Mr VR Nhleko

Mr EN Sithole

Ms N Thungo

Mr MA Ngcobo

Overview of Activities

The Committee held four (4) meetings during the year under review on the following dates:-

08/08/2019

17/07/2020

13/11/2020

The Committee chairperson also availed themselves for MPAC Meetings to provide support and guidance on how MPAC members should conduct their activities.

COMMITTEE RESPONSIBILITIES

The Committee has complied with its responsibilities arising from section 166 of the MFMA and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Committee's work was guided and regulated by an Audit Committee Charter and discharged all its responsibility as contained therein.

INTERNAL AUDIT FUNCTION

The Internal Audit Charter as adopted by the Committee regulates the work of the Internal Audit Activities.

The internal audit function was performed internally for the Financial Year 2019/2020. The Internal Audit team was working on the approved risk based Annual Internal Audit Plan which was approved by the Committee at its meeting on the 31st of July 2019. The Internal Audit was able to conduct and conclude all the planned internal audits as per the approved Annual Internal Audit Plan for 2019/2020 financial year.

During this financial year, internal audit reports were presented at the Committee meetings. Issues raised were deliberated in the meetings of the Committee and recommendations recorded.

Based on the internal audit findings the effectiveness of the general control environment still needs attention as various findings were rated as "significant". Management made a commitment to address these findings.

RISK MANAGEMENT

The AUDCOM is responsible for oversight of the internal and external auditor as well as financial reporting, because the assessment of internal controls over financial reporting is risk-based, and further overseeing management's risk framework and policies and review the municipality's key risk exposures and assess adequacy of the planned risk mitigating measures.

The internal audit function provides independent assurance in relation to the management's assertions surrounding the robustness and effectiveness of risk management maturity.

PERFORMANCE MANAGEMENT

The AUDCOM also serves as the Performance Audit Committee. Internal Audit reviewed the municipality's performance for all quarters during the year and tabled the quarterly report at the respective PAC. The AUDCOM noted with concern the shortcomings highlighted on the quarterly Internal Audit Reports on PMS. The AUDCOM is of the view that increased monitoring function of the Performance Management System could help Directors to focus on the critical areas of the municipal performance for improvement.

The Annual Performance Report was not timeously drafted and was therefore not provided to the Audit Committee for review and comment prior to the submission to the Auditor General. This is of great concern, as the Audit Committee was therefore unable to fulfil its mandate with regard to the review of the Annual Performance Report. This area needs more effort to ensure that there is effective and efficient management of performance within the municipality.

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Committee reviewed the Annual Financial Statements for the year ending 30 June 2020 that were submitted to the Auditor-General for audit. The Committee and Internal Audit noted errors which the Chief Financial Officer subsequently rectified before the submission to the Auditor-General. These financial statements were approved and submitted to the Auditor-General by the end of August 2020 as required by the MFMA.

In order to improve the municipality needs to develop and implement its own timeous action plan for the development of AFS that will guide its activities. Mid-year financial statements, with adequate working papers must be compiled and be audited by the Internal Auditor and tabled at a committee meeting by the end of February 2020.

MONTHLY FINANCIAL MANAGEMENT REPORTS

Monthly management reports (S71 Reports) were reviewed by the Committee. These included bank reconciliations, debtors and creditors age analyses, income and expenditure reports and budget and variance reports. Several pertinent matters were raised with management who in turn furnished answers. In many instances' suggestions, recommendations, and/or requests from the Committee were implemented by management. Recommended controls need to be improved upon especially covering the completeness of revenue recovery of debts, timeous payments of creditors, SCM process, and in general the daily, monthly and quarterly reconciliations of all records and books of accounts.

GOVERNANCE

The AUDCOM fulfils an oversight role regarding the Municipality's governance process. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct communication to the AUDCOM, primarily through its Chairperson.

The Mayor and the Chairperson of MPAC have a standing invitation to attend AUDCOM meetings.

COMPLIANCE WITH LAWS AND REGULATIONS

The Committee has reviewed the effectiveness of the system for monitoring compliance with laws and regulations. The Committee is not satisfied that the system for monitoring compliance with laws and regulations is effective. A revised checklist should be developed and presented to all Committee meetings to report compliance and noncompliance to laws and regulations, as a matter of urgency.

CONCLUSION

The Committee wishes to express its sincere gratitude to the Council and all stakeholders for their support during the financial year.

Yours faithfully

Chairperson of the Audit Committee

Name:

Date:

G. LONG TERM CONTRACTS

Zululand District Municipality									
No.	CONTRACT NUMBER	BID/ QUOTATION NUMBER	APPOINTED BIDDER	MUNICIPALITY VOTE/DEPARTMENT	DESCRIPTION OF GOODS/SERVICES/PROJECTS	CATEGORY	CONTRACT VALUE AS PER CONTRACT	CONTRACT START DATE	CONTRACT STATUS
191	8/3/292	ZDM 009/2017	WSSA	TECHNICAL SERVICES	Operation & Maintenance of Bulk Infrastructure	CONSULTING & ENGINEERING SERVICES	R -	2017/04/13	EXPIRED
195	8/3/296	ZDM 037/2015	Maswidi Construction	TECHNICAL SERVICES	Reticulation: Kwaminya and Shosamase	CONSULTING & ENGINEERING SERVICES	R 5 873 555.99	2017/10/30	CURRENT
196	8/3/297	ZDM 068/2015	Sisonike Phambili Trading cc	TECHNICAL SERVICES	Usuthu RWSS: Reticulation Nongoma South PH3	CONSULTING & ENGINEERING SERVICES	R 5 050 435.00	2017/10/23	CURRENT

197	8/3/298	ZDM 065/2015	Pipe Jack & Mageba Capital Projects IV	TECHNICAL SERVICES	Construction of Mandlakazi Bulk Gravity Mains and Associates Reservoirs	CONSULTING & ENGINEERING SERVICES	R 32 408 444.94	2017/11/22	CURRENT
198	8/3/299	ZDM 051/2015	Khalipha Projects and Consultancy	TECHNICAL SERVICES	Usuthu RWSS: Reticulation Nongoma South PH1	CONSULTING & ENGINEERING SERVICES	R 2 963 197.99	2018/01/29	CURRENT
199	8/3/300	ZDM 031/2017	Setshabelo Trading 647 IV BBT Constr	TECHNICAL SERVICES	Simdlangentsha Central RWSS: The construction of bulk water pipeline from Mozana Weir to Ombimbini Reservoir PH2	CONSULTING & ENGINEERING SERVICES	R 13 103 142.81	2018/02/01	EXPIRED
200	8/3/300	ZDM 057/2017	A1 Electrical	TECHNICAL SERVICES	Usuthu RWSS: Construction and commissioning of a new 20KM, 22KV overhead line from Nyokeni Sub station to Mahlombe Pump Station	CONSULTING & ENGINEERING SERVICES	R 7 458 176.41	2018/02/28	CURRENT

201	8/3/301	ZDM 029/2017	Zuri Exclusive and Trading JV Asatiko Civil	TECHNICAL SERVICES	Usuthu RWSS PH2: Nongoma Concrete Reservoir 7ML with access roads and Usuthu Reservoir B (3ml)	CONSULTING & ENGINEERING SERVICES	R 39 308 733.46	2018/03/02	CURRENT
202	8/3/302	ZDM 030/2017	Town and Around Civils cc	TECHNICAL SERVICES	Usuthu RWSS PH2: Construction of Nongoma RESERVOIRS AND Access Roads: GB5 (400KL): GB4 (1ML) AND GB 2 (600KL)	CONSULTING & ENGINEERING SERVICES	R 17 498 618.50	2018/03/02	CURRENT
203	8/3/303	ZDM 028/2017	Novubu Construction	TECHNICAL SERVICES	Usuthu RWSS PH2: Completion of Holinyoka and Lindzwe Pumpstations	CONSULTING & ENGINEERING SERVICES	R 18 813 746.78	2018/03/02	CURRENT
204	8/3/304	ZDM006/2018	INGOSI TRADING CC	TECHNICAL SERVICES	CONSTRUCTION - ESIPHIVA STAND ALONE WATER SUPPLY PHASE 3: AMAPHIVA BULK RETICULATION	CONSULTING & ENGINEERING SERVICES	R 1 841 877.21	2019/05/15	EXPIRED

205	8/3/305	ZDM004/2017	FAKUDE BUILDING CONTRACTORS	TECHNICAL SERVICES	ESIPHIVA STAND ALONE WATER SUPPLY PHASE 3: AMAPHIVA RESERVOIRS	CONSULTING & ENGINEERING SERVICES	R 3 205 669.11	2018/05/07	CURRENT
206	8/3/306	ZDM010/2018	UMZULU TRADING ENTERPRISE	TECHNICAL SERVICES	ESIKHUMBENI PROJECT WATER SUPPLY	CONSTRUCTION	R 3 987 554.51	2019/08/02	EXPIRED
207	8/3/307	ZDM094/2018	FAKUDE BUILDING CONTRACTORS	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RESERVOIRS AND WEIR	CONSTRUCTION	R 5 629 172.84	2019/01/18	CURRENT
208	8/3/308	ZDM009/2018	AZISHE CONSULTING	PLANNING & DEVELOPMENT	PMU CONSULTANT	CONSULTING & ENGINEERING SERVICES	R 17 967 312.00		

211	8/3/311	ZDM065/2018	SEINDEILE CONSTRUCTION	TECHNICAL SERVICES	RUDIMENTARY SUPPLY AND INSTALLATION OF HAND PUMP	CONSTRUCTION	R 3 033 295,43	2018/11/13	EXPIRED
212	8/3/312	ZDM056/2018	HAHN COLLECTION	FINANCE	PROVISION OF DEBT COLLECTION	ADMINISTRATION	R -	2018/08/21	
213	8/3/313	ZDM054/2018	DLV Engineers and Project Managers	TECHNICAL SERVICES	CIVIL ENGINEERING SUPPORT FOR THE NEXT PHASE OF SIMDLANGENTSHA WEST REGIONAL WATER SUPPLY SCHEME	CONSTRUCTION	R 31 667 161,40	2018/06/26	CURRENT
216	8/3/316	ZDM099/2018	HYENA PROJECTS (PTY)LTD	CORPORATE SERVICES	CALL OF EXPRESSION OF INTEREST FOR CO-ORDINATION AND STAGING OF A SPORTING TOURNAMENT	EVENTS MANAGEMENT	R -		

217	8/3/17	ZDM077/2018	SKYSTAR TRADING ENTERPRISE (PTY)LTD	CORPORATE SERVICES	COORDINATION, MANAGEMENT AND OTHER SUPPORT SERVICES	EVENTS MANAGEMENT	R	2018/11/01	CURRENT
218	8/3/18	ZDM074/2018	ZOTO TRADING ENTERPRISE (PTY)LTD	CORPORATE SERVICES	DESIGN SUPPLY INSTALLATION COMMISSIONING AND MAINTENANCE AND GENERAL SUPPORT FOR A BIOMETRIC SECURITY SYSTEM OF BUILDINGS AND ASSETS BELONGING TO THE MUNICIPALITY	ADMINISTRATION	R		

219	8/3/319	ZDM070/2018	MTHUTHUKISWA CONSTRUCTION	TECHNICAL SERVICES	THE MANUFACTURING/ SUPPLY OF PRECAST TOILET TOP STRUCTURES AND SUPPORTING SLAB WITHIN ZULULAND DISTRICT MUNICIPALITY- NORTH ABAQUULUSI, EDUMBE AND UPHONGOLO	CONSTRUCTION	R 10 000 000.00		
220	8/3/320	ZDM070/2018	CONCAST CONSULTING CONRITE JV	TECHNICAL SERVICES	THE MANUFACTURING/ SUPPLY OF PRECAST TOILET	CONSTRUCTION	R 10 000 000.00		
221	8/3/321	ZDM069/2018	BRAND PARTNERS COMPANY	FINANCE	PROVISION OF PUBLICITY, BRANDING AND ADVERTISING FOR THE ZULULAND District Municipality	ADMINISTRATION	R -	2018/07/25	EARLY TERMINATION

222	8/3/322	ZDM068/2018	PHIRIPHIRI SECURITY SERVICES	CORPORATE SERVICES	PROVISION OF GUARDING SECURITY SERVICES OF PROPERTIES AND INFRASTRUCTURE ASSETS BELONGING TO THE ZULULAND DISTRICT MUNICIPALITY AND LOCATED IN ABAQULUSI AND DUMBE AREA FOR A PERIOD OF 3YEARS	ADMINISTRATION	R		
223	8/3/323	ZDM067/2018	GLOBAL TECHNOLOGY SECURITY	CORPORATE SERVICES	PROVISION OF GUARDING SECURITY SERVICES OF PROPERTIES AND INFRASTRUCTURE ASSETS BELONGING TO THE ZULULAND DISTRICT MUNICIPALITY AND LOCATED IN NONGOMA AND PONGOLA AREA FOR A PERIOD OF 3YEARS	ADMINISTRATION	R		

224	8/3/324	ZDM093/2018	DOSHULU TRADING AND PROJECT	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 13	CONSTRUCTION	R 4 325 612.74	2019/01/18	EXPIRED
225	8/3/325	ZDM096/2018	SAB SMART SERVICES (PTY)LTD	TECHNICAL SERVICES	Water Demand Management	CONSTRUCTION	R 12 281 967.46	2018/12/14	CURRENT
226	8/3/326	ZDM089/2018	MAKHOSWEZWE CONSTRUCTION AND ELECTRICAL (PTY)LTD	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 09	CONSTRUCTION	R 4 214 756.10	2019/07/01	EXPIRED
227	8/3/327	ZDM088/2018	GREAT EFFORTS CONTRACTORS	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 08	CONSTRUCTION	R 4 526 958.88	2019/01/18	EXPIRED

228	8/3/328	ZDM086/2018	SETSHABELO TRADING 647 (PTY) LTD	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 06	CONSTRUCTION	R 4 659 743.44	2019/01/18	EXPIRED
229	8/3/329	ZDM085/2018	KULU CUVILS PTY LTD	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 06	CONSTRUCTION	R 5 688 223.32	2019/01/18	EXPIRED
230	8/3/330	ZDM081/2018	COUNTER POINT TRADING 156 CC	TECHNICAL SERVICES	KWAMFEMFENI WATER RETICULATION	CONSTRUCTION	R 6 198 818.00	2019/02/21	EXPIRED
231	<u>8/3/331</u>	ZDM080/2018	QAMBOTHI DEVELOPMENT CC	TECHNICAL SERVICES	EMGODI WATER RETICULATION	CONSTRUCTION	R 7 263 362.58	2019/02/21	EXPIRED

232	8/3/332	ZDM079/2018	MELA OKUHLE TRADING ENTERPRISE	TECHNICAL SERVICES	KWANKULU SAWSS-KWANKULU PHASE 2 WATER SUPPLY	CONSTRUCTION	R 4 835 284.77	2019/02/21	CURRENT
233	8/3/33	ZDM076/2018	KHETHA CLEANING SERVICES	TECHNICAL SERVICES	CONTRACT FOR THE PROVISION OF LANDSCAPE MAINTENANCE, PEST CONTROL AND GENERAL SUPPORT TO THE ZULULAND DISTRICT MUNICIPALITY FOR A PERIOD OF 3 YEARS	CONSTRUCTION	R 4 674 999.97	2018/12/07	CURRENT
234	8/3/334	ZDM007/2018	INGOSI TRADING CC	TECHNICAL SERVICES	THE INSTALLATION OF 289 PRE-CAST CONCRETE VIP TOILETS UNITS IN SINOANDE, MTHICONGO AND EZIDWADWENI IN NONGOMA	CONSTRUCTION	R 2 655 428.50	2019/05/15	EXPIRED
235	8/3/335	ZDM0006/2018	THARVESTER DRILLING	TECHNICAL SERVICES	THE INSTALLATION OF 201 PRE-CAST CONCRETE VIP TOILETS UNITS IN NEWTOWN AND KHETHANKOMO IN NONGOMA	CONSTRUCTION	R 1 841 877.21	2018/12/14	CURRENT

236	8/3/336	ZDM095/2018	Aganang Consulting Engineers	TECHNICAL SERVICES	Rural Roads Assets Management system	CONSTRUCTION	R 7 670 923.04	2018/11/20	EXPIRED
237	8/3/338	ZDM091/2018	GABADE BUILDING	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION	CONSTRUCTION	R 3 674 477.13		CURRENT
238	8/3/338	ZDM092/2018	GABADE BUILDING	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 12	CONSTRUCTION	R 2 958 803.38	2019/01/18	CURRENT
239	8/3/339	ZDM090/2018	MK NJABS TRADING	TECHNICAL SERVICES	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 10	CONSTRUCTION	R 3 267 276.10	2019/01/18	CURRENT

240	8/3/340	ZDM055/2018	WK CONSTRUCTION S A	TECHNICAL SERVICES	CONSTRUCTION OF MANDLAKAZI PHASE 5.5 BULK WATER SUPPLY: 44KM OF BULK GRAVITY MAINS, ASSOCIATED RESERVOIRS, PUMPSTATION AND RISING MAIN	CONSTRUCTION	R 100 400 000.00	2019/02/28	CURRENT
241	8/3/341	ZDM043/2018	UZAMILE TRADING CC	TECHNICAL SERVICES	MANDLAKAZI RWSS: CONSTRUCTION OF 19.8KM WATER RETICULATION NETWORK – PACKAGE 3C	CONSTRUCTION	R 8 965 673.95	2018/11/27	EXPIRED
242	8/3/342	ZDM008/2018	ACTUS INTEGRATED MANAGEMENT	TECHNICAL SERVICES	INSTALLATION OF 175 VIP TOILETS IN NDIHILANA AND KWAFAKUDE IN NONGOMA	CONSTRUCTION	R 1 697 682.92	2019/05/15	CURRENT
243	8/3/343	ZDM001/2016	PREMIER ATTRACTION 217 CC	TECHNICAL SERVICES	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS OVER THREE YEAR PERIOD	CONSTRUCTION	R	2016/07/12	EXPIRED

244	8/3/344	ZDM001/2016	AQUA TRANSPORT AND PLANT HIRE (PTY)LTD	TECHNICAL SERVICES	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS OVER THREE YEAR PERIOD	CONSTRUCTION	R	2016/07/12	EXPIRED
245	8/3/345	ZDM001/2016	ZIBULA NGETHOKAZI TRADING	TECHNICAL SERVICES	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS OVER THREE YEAR PERIOD	CONSTRUCTION	R	2016/07/12	EXPIRED
246	8/3/346	ZDM006/2016	TMS PROPERTIES CC	TECHNICAL SERVICES	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS OVER THREE YEAR PERIOD	CONSTRUCTION	R	2016/07/12	EXPIRED
247	8/3/347	ZDM011/2018	SETSHABELO TRADING 647 (PTY)LTD	TECHNICAL SERVICES	CONSTRUCTION OF USUTHU WATER RETICULATION NETWORK PHASE 1A	CONSTRUCTION	R 5 632 426.65	2019/07/15	EXPIRED

248	8/3/348	ZDM045/2018	SINDELE CONSTRUCTION	TECHNICAL SERVICES	RUDIMENTARY WATER SUPPLY :BETHELE DEKIVILLE	CONSTRUCTION	R 3 187 500.20	2018/10/01	EXPIRED
249	8/3/349	ZDM049/2018	TRAVEL WITH FLAIR (PTY)LTD	FINANCE	PROVISION OF TRAVELLING AGENTS SERVICE	OTHER	R 1 577 938	2018/08/16	CURRENT
250	8/3/350	ZDM105/2018	27 YEARS ROSEN ISLAND CONSTRUCTION	TECHNICAL SERVICES	WATER DEMAND MANAGEMENT-NKONENI WATER SUPPLY SCHEME	CONSTRUCTION	R 3 148 654	2019/09/02	CURRENT
251	8/3/351	ZDM110/2018	AFROSTRUCTURES(PTY)LTD	TECHNICAL SERVICES	EMONDLO BULK WATER SUPPLY : REFURBISHMENT AND ADDITIONS	CONSTRUCTION	R 55 815 700	2019/08/12	CURRENT

252	8/3/352	ZDM010/2019	COUNTERPOINT/CHARLES CONSTRUCTION JV	TECHNICAL SERVICES	SIMDLANGENTSHA WEST RWSS-CONSTRUCTION OF RASING MAIN FROM FRISCHGEWAAGD ABSTRACTION WORKS TO BILANYONI TERMINAL RESERVOIR	CONSTRUCTION	R 33 275 421.04	2019/10/22	CURRENT
253	8/3/353	ZDM011/2019	MAGNACORP485 t/a KZS CONSTRUCTION AFRICA	TECHNICAL SERVICES	SIMDLANGENTSHA WEST RWSS-CONSTRUCTION OF FRISCHGEWAAGD ABSTRACTION WORKS STAFF ACCOMMODATION AND BILANYONI BOOSTER PUMPSTATION	CONSTRUCTION	R 29 272 306.33	2019/09/23	CURRENT
254	8/3/354	ZDM014/2019	KUNENE MAKOPPO RISK SOLUTIONS (PTY)LTD	FINANCE	INSURANCE COVER FOR MUNICIPAL ASSETS	INSURANCE SERVICES	R 50 000	2019/08/05	CURRENT

255	8/3/355	ZDM015/2019	PK FINANCIAL CONSULTANTS	FINANCE	PROPOSAL FOR VAT REVIEW	FINANCIAL LEASES	R -	2019/08/02	CURRENT
256	8/3/356	ZDM016/2019	AFRICA MAYIBUYE LEADERSHIP (PTY)LTD	FINANCE	IMPLEMENTATION OF FINANCIAL RECOVERY PLAN	FINANCIAL LEASES	R 2 652 912.00	2019/08/16	CURRENT
257	8/3/357	ZDM025/2019	EGXENI ENGINEERING CC	TECHNICAL SERVICES	NQULWANE RETICULATION	CONSTRUCTION	R 17 800 000.00	2019/09/30	CURRENT
258	8/3/358	ZDM004/2020	ISIPHIWO TRADING CC JV THAVESTER DRILLING TESTING (PTY)LTD	TECHNICAL SERVICES	DRILLING AND TESTING OF 70 BOREHOLES SOUTH	CONSTRUCTION	R 12 810 528.50	2019/09/19	CURRENT

259	8/3/359	ZDM068/2015	SISONKE PHAMBILI TRADING CC	TECHNICAL SERVICES	USUTHU RWSS: RETICULATION NONGOMA SOUTH	CONSTRUCTION	R 67 454.000.00	2017/10/30	CURRENT
260	8/3/360	ZDM102/2018	AFRISCAN CONSTRUCTION (PTY)LTD	TECHNICAL SERVICES	CONSTRUCTION OF MANDLAKAZI PHASE 5.5B BULK WATER SUPPLY 24KM OF BULK GRAVITY MAINS AND ASSOCIATED RESEVOIRS	CONSTRUCTION	R 10 403 871.92	2019/05/13	CURRENT
261	8/3/361	ZDM107/2018	MAKHELENI CONSTRUCTION JV MCEBOS TRADING	TECHNICAL SERVICES	BHOBOZANI RESERVOIRS AND SOUTHERN RETICULATION	CONSTRUCTION	R 10 403 871.92	2019/05/13	CURRENT
262	8/3/362	ZDM101/2018	SIZABONKE CIVILS /PILCON PROJECTS	TECHNICAL SERVICES	REPLACEMENT OF THE EXISTING 600MM NB STEELPIPELINE ULUNDI TERMINAL RESERVOIR TO SITE 1 VALVE HOUSE	CONSTRUCTION	R 47 491 654.65	2019/07/22	CURRENT

263	8/3/363	ZDM025/2017	VI SECURITY SERVICES	CORPORATE SERVICES	ROSTER FOR THE PROVISION OF VIP SECURITY TO THE ZDM FOR THE PERIOD OF 1 YEAR (WITH AN OPTION OF EXTEND FOR ANOTHER 2 MORE YEARS)	SECURITY SERVICES	R -	2018/05/14	CURRENT
264	8/3/364	ZDM007/2020	AMALONDOH CONSTRUCTION AND EVENTS MANAGEMENT	PLANNING & DEVELOPMENT	ZDM WATER TANKS - SUPPLY AND INSTALLATION OF WATER DISTRIBUTION POINTS	CONSTRUCTION	R 555 061.70	2019/07/29	EXPIRED
265	8/3/365	ZDM108/2018	UMTHUNZA TRADING	PLANNING & DEVELOPMENT	BHOBHOZANI: BULK AND RETICULATION NORTH	CONSTRUCTION	R 8 363 667.10	2019/04/23	EXPIRED
266	8/3/366	ZDM051/2018	WJ BOU & SIVIELE	PLANNING & DEVELOPMENT	RUDIMENTARY SOUTH WATER SUPPLY: NKOMENI EAST RETIC AND RESERVOIRS	CONSTRUCTION	R 9 504 790.63	2018/10/19	EXPIRED

267	8/3/367	ZDM087/2018	MELA OKUHLE TRADING ENTERPRISE	PLANNING & DEVELOPMENT	CEZA STAND ALONE WATER SUPPLY PHASE 2: RETICULATION 07	CONSTRUCTION	R 4 178 358.25	2019/05/06	CURRENT
268	8/3/368	ZDM005/2017	JABU DANIEL BUILDING CONSTRUCTION AND CIVILS	PLANNING & DEVELOPMENT	ESPHIVA STAND ALONE WATER SUPPLY PHASE 3: AMAPHIVA RETICULATION	CONSTRUCTION	R 6 567 602.13	2019/02/11	CURRENT
269	<u>8/3/369</u>	ZDM005/2020	PHINDILE CIVIL AND BUILDING PROJECTS	PLANNING & DEVELOPMENT	PROVISION FOR DRILLING AND TESTING OF 50 BOREHOLES IN NORTH OF ZDM	CONSTRUCTION	R 11 519 596.00	2019/09/19	CURRENT
270	8/3/370	ZDM005/2019	SIVEST SA	PLANNING & DEVELOPMENT	CIVOL ENGINEERING SUPPORT FOR THE DESIGN AND CONSTRUCTION MONITORING FOR THE GLUCKSTAD WATER SUPPLY	CONSTRUCTION	R 100 000 000.00		CURRENT

271	8/3/371	ZDM084/2018	MELA OKUHLE TRADING ENTERPRISE	PLANNING & DEVELOPMENT	CEZA STAND ALONE WATER SUPPLY PHASE 2 RETICULATION 4	CONSTRUCTION	R 2 528 988.00	2019/05/15	EXPIRED
272	8/3/372	ZDM013/2016	AKSHAN ENGINEERING (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF THE CIVIL ENGINEERING SUPPORT SERVICES FOR THE IMPLEMENTATION OF RURAL SANITATION PROGRAMME	CONSTRUCTION	R 4 750 000.00		
273	8/3/373	ZDM024/2017	SCN CONSULTING (PTY)LTD	PLANNING & DEVELOPMENT	Provision of Professional Geo-Hydrological Services and Related Support for a period of three years to the Zululand District Municipality	CONSTRUCTION	R 1 099 265.00		
274	8/3/374	ZDM026/2017	ZAI CONSULTING	PLANNING & DEVELOPMENT	Civil Engineering Support for the Design and Construction Monitoring for: Re-Lining / Rehabilitation / Replacement of the Existing 600 mm Ø NB Steel Pipeline: Ulundi WTW to Site 1 Valve House	CONSTRUCTION	R 5 352 518.73		

275	8/3/375	ZDM052/2015	INGWEMABALA CONSTRUCTION CC	PLANNING & DEVELOPMENT	Reticulation Nongoma South Phase 2	CONSTRUCTION	R 2 799 655.69		
276	8/3/376	ZDM0055/2017	MFV MULTI CONSULTING CC	PLANNING & DEVELOPMENT	CIVIL ENGINEERING SUPPORT FOR THE PREPARATION OF FEASIBILITY STUDY/BUSINESS PLAN, DESIGN AND CONSTRUCTION MONITORING FOR MANDLAKAZI AUGMENTATION OF WATER SUPPLY	CONSTRUCTION	R 7 850 000.00		
277	8/3/377	ZDM059/2017	SKV CONSULTING ENGINEERS	PLANNING & DEVELOPMENT	CIVIL ENGINEERING SUPPORT FOR THE NEXT PHASE OF SIMDLANGENTSHA CENTRAL REGIONAL WATER SUPPLY SCHEME - WATER TREATMENT WORKS AND WATER RETICULATION NETWORKS	CONSTRUCTION	R 50 000 000.00		
278	8/3/378	ZDM046/2018	MDIMA CIVILS CC	PLANNING & DEVELOPMENT	RUDIMENTARY MAHLABATHINI WATER SUPPLY	CONSTRUCTION	R 4 929 101.85	2018/10/19	CURRENT

279	8/3/379	ZDM047/2018	BLESSED MASTER PROJECTS (PTY)LTD	PLANNING & DEVELOPMENT	RUDIMENTARY NORTH: GOLELA AND DEKVILLE	CONSTRUCTION	R 17 477 475.81		
280	8/3/380	ZDM048/2018	27 YEARS ROSEN ISLAND CONSTRUCTION JV FUNKWANE TRADE	PLANNING & DEVELOPMENT	RUDIMENTARY MPUNGAMHLOPHE WATER SUPPLY	CONSTRUCTION	R 3 132 727.34	2018/10/19	CURRENT
281	8/3/381	ZDM034/2017	TK GUTTERS PLUMBERS AND PLANT HIRE	PLANNING & DEVELOPMENT	USUTHU RWSS: RETICULATION: SINGANGENI:	CONSTRUCTION	R 7 921 662.76	2018/10/10	EXPIRED
282	8/3/382	ZDM035/2017	AKWANDE CIVILS CC	PLANNING & DEVELOPMENT	USUTHU RWSS: RETICULATION: KWADLABE	CONSTRUCTION	R 17 162 203.37	2018/01/22	EXPIRED

283	8/3/383	ZDM036/2017	ASAKHENE SONKE TRADING CC	PLANNING & DEVELOPMENT	USUTHU RWSS: RETICULATION: Ophahule Phase 1	CONSTRUCTION	R 4 465 164.11		
284	8/3/384	ZDM038/2017	GREAT EFFORTS CONTRACTORS	PLANNING & DEVELOPMENT	USUTHU RWSS: RETICULATION: ETHOKOZA	CONSTRUCTION	R 4 061 988.37	2018/10/10	EXPIRED
285	8/3/385	ZDM039/2017	GREAT EFFORTS CONTRACTORS	PLANNING & DEVELOPMENT	USUTHU RWSS: RETICULATION: SGODIPHOLA	CONSTRUCTION	R 3 338 000.02		
286	8/3/386	ZDM006/2017	THARVETER DRILLING TESTING (PTY)LTD	PLANNING & DEVELOPMENT	ESPHIVA STAND ALONE WATER SUPPLY PHASE 3: AMAPHIVA RETICULATION B	CONSTRUCTION	R 4 021 456.59		EXPIRED

287	8/3/387	ZDM1289/2012	GIBB ENGINEERING AND ARCHITECTURE	TECHNICAL SERVICES	MANDIAKAZIR RWSS	CONSTRUCTION	R 7 031 947.37	EXPIRED
288	8/3/388	ZDM1290/2012	SANOQWABE TRADING	TECHNICAL SERVICES	"Provision of consulting support services for a three year period to oversee the implementation of the sanitation backlog at abaqulusi, edumbe and opongolo"	CONSTRUCTION	R 12 500 000.00	EXPIRED
289	8/3/389	ZDM073/2015	SANOQWABE TRADING	PLANNING & DEVELOPMENT	CIVIL ENGINEERING SUPPORT FOR THE DESIGN AND CONSTRUCTION MONITORING FOR RUDIMENTARY NORTH WATER SUPPLY SCHEMES	CONSTRUCTION	R 10 000 000.00	EXPIRED

290	8/3/389	ZDM1086/2012	ERNST CLOETE AND ASSOCIATES (PTY) LTD	PLANNING & DEVELOPMENT	CIVIL ENGINEERING SERVICES FOR THE IMPLEMENTATION OF THE ESPHIVA STAND-ALONE WATER SUPPLY SCHEME	CONSTRUCTION	R 7 138 000.00	EXPIRED
291	8/3/390	ZDM1364/2012	SIKOTI INVESTMENTS CC	PLANNING & DEVELOPMENT	NKONKENI RWSS	CONSTRUCTION	R 6 974 882.22	EXPIRED
292	8/3/3100	ZDM1368/2012	MSW CONSULTING	PLANNING & DEVELOPMENT	CIVIL ENGINEERING SERVICES MANDHLAKAZI PHASE	CONSTRUCTION	R 6 800 000.00	EXPIRED
293	8/3/3101	ZDM1400/2013	ENVIROEDGE CC	PLANNING & DEVELOPMENT	PROCUREMENT OF AN ENVIRONMENTAL CONSULTANT FOR THE USUTHU REGIONAL WATER SUPPLY SCHEME	CONSTRUCTION	R 1 610 526.32	EXPIRED

294	8/3/3102	ZDM1409/2013	SITAMELA SIVE TRADING CC	PLANNING & DEVELOPMENT	SIMLANGENTSHA CENTRAL RWSS: CONSTRUCTION OF BULK	CONSTRUCTION	R 8 512 223.42	EXPIRED
295	8/3/3103	ZDM1545/2014	DLAMINDLOVU CONSULTING ENGINEERS AND PROJECT	PLANNING & DEVELOPMENT	Civil engineering support for the design and construction monitoring of Frischegeewagt water treatment works	CONSTRUCTION	R 9 955 127.10	EXPIRED
296	8/3/3104	ZDM1546/2014	VEOLIA WATER SOLUTION AND TECHNOLOGIES SOUTH AFRIC	PLANNING & DEVELOPMENT	Construction of Mandlakazi Phase 5 water treatment works	CONSTRUCTION	R 98 060 584.04	EXPIRED
297	8/3/3105	ZDM1546/2014	SUNSET BEACH TRADING 529CC	PLANNING & DEVELOPMENT	Construction of Mandlakazi Phase 5 water treatment works	CONSTRUCTION	R 98 060 584.04	EXPIRED

298	8/3/3106	ZDM1558/2014	E AND R MAINTENANCE AND ERECTION CC	PLANNING & DEVELOPMENT	Usuthu main pump station mechanical and electrical installation	CONSTRUCTION	R 79 439 545.62	2015/02/10	EXPIRED
299	8/3/3107	ZDM384/2009	CONRITE WALLS PTY LTD	PLANNING & DEVELOPMENT	ESTABLISHMENT AND MANAGEMENT OF A PRECAST CONCRETE	CONSTRUCTION	R 41 605 814.05		EXPIRED
300	8/3/3108	ZDM567/2007	RAWS CONSULTING ENGINEERS	PLANNING & DEVELOPMENT	PROCUREMENT OF PROFESSIONAL SERVICES	CONSTRUCTION	R 85 500 000.00		EXPIRED
301	8/3/3109	ZDM580/2007	DLV ENGINEERING AMD PROJECT MANAGERS	PLANNING & DEVELOPMENT	PROCUREMENT OF PROFESSIONAL SERVICE	CONSTRUCTION	R 71 472 587.04		EXPIRED

302	8/3/3200	ZDM 053/2015	ZAMAHLOBO DEZO JV BP8 SINDI CIVILS	PLANNING & DEVELOPMENT	Simdlangentsha West Regional Water Supply Scheme: Frischgewaard WTW-construction of a water treatment works - civils works	CONSTRUCTION	R 150 000 000.00	2016/04/07	EXPIRED
303	8/3/3201	ZDM 054/2015	WSSA Mzingazi	PLANNING & DEVELOPMENT	Simdlangentsha West Regional Water Supply Scheme: Frischgewaard WTW-Installation of Mechanical and Electrical equipment	CONSTRUCTION	R 22 037 396.76	2017/02/02	EXPIRED
304	8/3/3202	ZDM003/2016	UZAMILE TRADING CC	PLANNING & DEVELOPMENT	Esikhumbeni Stand Alone Water Supply Scheme : Construction of R7 pumpstation(okhalweni)	CONSTRUCTION	R 4 176 308.95	2017-05- 2017	EXPIRED
305	8/3/3203	ZDM029/2017	TOWN AND AROUND CIVILS CC	PLANNING & DEVELOPMENT	Completion of Concrete Reservoir 7ML with Access roads and Usuthu Reservoir B: Construction of a 7ML reservoir and 3 ML reservoir	CONSTRUCTION	R 39 308 733.46	1900/01/00	EXPIRED

306	8/3/3204	ZDM030/2017	TOWN AND AROUND CIVILS CC	PLANNING & DEVELOPMENT	NONGOMA RESERVOIRS AND ACCESS ROADS: NONGOMA RESERVOIRS AND ACCESS ROADS: GB5 (400KL) GB4 (1ML) and GB2 (600KL).	CONSTRUCTION	R 17 498 618.50	2018/04/17	EXPIRED
307	8/3/3205	ZDM061/2015	INDUNA LOGISTICS	PLANNING & DEVELOPMENT	Concrete reservoir Nongoma CBD 1X 2,4ML: Concrete reservoir Nongoma CBD 1X 2,4ML	CONSTRUCTION	R 18 995 008.51	2016/01/04	EXPIRED
308	8/3/3206	ZDM009/2019	ZANA MANZI SERVICES (PTY)LTD	PLANNING & DEVELOPMENT	UPGRADE OF ULUNDI WATER TREATMENT WORK MECHANICAL AND ELECTRICAL WORK STAGE 1A	CONSTRUCTION	R 28 989 524.94	2019/11/15	EXPIRED
309	8/3/3207	ZDM008/2019	COUNTERPOINT/CHARLIES CONSTRUCTION JV	PLANNING & DEVELOPMENT	UPGRADE OF ULUNDI WATER TREATMENT WORK AND REFURBISHMENT/ UPGRADE OF THE NKOJENI REGIONAL WATER SUPPLY SCHEME	CONSTRUCTION	R 14 052 792.47	2019/11/15	CURRENT

310	8/3/3208	ZDM007/2016	ZANA MANZI SERVICES (PTY)LTD	PLANNING & DEVELOPMENT	USUTHU LINDIZWE PUMP STATION MECHANICAL INSTALLATION	CONSTRUCTION	R 33 850 149.04	2019/12/04	EXPIRED
311	8/3/3209	ZDM049/2015	ZANA MANZI SERVICES (PTY)LTD	PLANNING & DEVELOPMENT	USUTHU HOLINYOKA PUMP STATION MECHANICAL INSTALLATION	CONSTRUCTION	R 28 893 937.70	2019/12/04	EXPIRED
312	8/3/3210	ZDM019/2019	THAVESTER DRILLING AND TESTING (PTY)LTD	PLANNING & DEVELOPMENT	RETICULATION UPGRADE WARD 14 NONGOMA	CONSTRUCTION	R 8 702 648.46	2019/12/23	CURRENT
313	8/3/3211	ZDM012/2020	AK SECURITY SERVICES	CORPORATE SERVICES	PROVISION OF GURDING SECURITY SERVICES TO THE ZULULAND DISTRICT MUNICIPALITY PROPERTIES AND INFRASTRUCTURE LOCATED IN NONGOMA AND UPHONGOLO FOR A PERIOD OF 3 YEARS	SECURITY SERVICES	R -	2020/03/25	CURRENT

314	8/3/3212	ZDM013/2020	MSANGE PROTECTION (PTY)LTD	CORPORATE SERVICES	PROVISION OF GURDING SECURITY SERVICES TO THE ZULULAND DISTRICT MUNICIPALITY PROPERTIES AND INFRASTRUCTURE LOCATED IN ABAQUULISI AND EDUMBE FOR A PERIOD OF 3 YEARS	SECURITY SERVICES	R	2020/03/25	CURRENT
315	8/3/3213	ZDM014/2020	Aros Protection service	CORPORATE SERVICES	PROVISION OF GURDING SECURITY SERVICES TO THE ZULULAND DISTRICT MUNICIPALITY PROPERTIES AND INFRASTRUCTURE LOCATED IN ULUNDI FOR A PERIOD OF 3 YEARS	SECURITY SERVICES	R	2020/03/25	CURRENT
316	8/3/3214	ZDM033/2020	AQUA TRANSPORT AND PLANT HIRE (PTY)LTD	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION		2020/05/08	CURRENT
317	8/3/3215	ZDM033/2020	KADULELE TRADING CC	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R	2020/05/08	CURRENT

318	8/3/3216	ZDM033/2020	MULTI SOLUTIONS TRADING (PTY)LTD	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R	2020/05/08	CURRENT
319	8/3/3217	ZDM033/2020	KHABENI PROJECT ENTERPRISE	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R	2020/05/08	CURRENT
320	8/3/3218	ZDM033/2020	ZIBULA NGETHOKAZI TRADING	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R	2020/05/08	CURRENT
321	8/3/3219	ZDM033/2020	UHAQANE MI CONTRACTORS CC	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R	2020/05/08	CURRENT

322	8/3/3220	ZDM033/2020	XMOOR TRANSPORT	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R -	2020/05/08	CURRENT
323	8/3/3221	ZDM033/2020	FIRST WORKS 1.19 (PTY)LTD	PLANNING & DEVELOPMENT	DELIVERY OF POTABLE WATER IN THE ZDM USING WATER TANKERS	CONSTRUCTION	R -	2020/05/08	CURRENT
324	8/3/3222	ZDM002/2020	Dieketseng Trading	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 1 822 370.00	2019/12/13	CURRENT
325	8/3/3223	ZDM002/2020	IQETHU COMMUNITY DEVELOPMENT AND PROJECT	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 1 671 450.00	2019/12/13	CURRENT

326	8/3/3224	ZDM002/2020	VEZINGCEBO (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 617 917.50	2019/12/13	CURRENT
327	8/3/3225	ZDM002/2020	Sabusiswa Social Facilitators	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 3 024 741.50	2019/12/13	CURRENT
328	8/3/3226	ZDM002/2020	WONDERTWINS TRADING AND ENTERPRISE	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 561 693.20	2019/12/13	CURRENT
329	8/3/3227	ZDM002/2020	MABHANGE TRADING AND PRODUCTION (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 616 350.00	2019/12/13	CURRENT

330	8/3/3228	ZDM002/2020	Mbono trading & developments consultants	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 3 006 297.80	2019/12/13	CURRENT
331	8/3/3229	ZDM002/2020	NTOMBINGESWELI TRADING	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 310 218.90	2019/12/13	CURRENT
332	8/3/3230	ZDM002/2020	Black Titanium (pty)ltd	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 610 410.00	2019/12/13	CURRENT
333	8/3/3231	ZDM002/2020	BONGWATI TRADING (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 545 598.00	2019/12/13	CURRENT

334	8/3/232	ZDM002/2020	NOMASA CORPOEATION (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 839 545.50	2019/12/13	CURRENT
335	8/3/233	ZDM002/2020	UMTAPO DEVELOPMENT CORPORATION (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 1 141 030.00	2019/12/13	CURRENT
336	8/3/2334	ZDM002/2020	Lwazi Community Facilitators	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 914 686.50	2019-12- 13	CURRENT
337	8/3/2335	ZDM002/2020	AMASU CONSULTING	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 606 411.06	2019/12/13	CURRENT

338	8/3/2336	ZDM002/2020	THOLUNZULU TRADING	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 990.00	2019/12/13	CURRENT
339	8/3/2337	ZDM002/2020	SOMOKHOZI DEVELOPMENT ENTERPRISE	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 484 333.50	2019/12/13	CURRENT
340	8/3/2338	ZDM002/2020	Ndandali Investments	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 606 532.50	2019-12-13-	CURRENT
341	8/3/2339	ZDM002/2020	ZG Training and Developments	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 265 741.50	2019/12/13	CURRENT

342	8/3/2340	ZDM002/2020	SHALOM A TRADING	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 600 510.00	2019/12/13	CURRENT
343	8/3/2341	ZDM002/2020	UZUKO DEVELOPMENT	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 1 849 809.50	2019/12/13	CURRENT
344	8/3/2342	ZDM002/2020	KIN BUSINESS ENTERPRISE (PTY)LTD	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 1 650 000.00	2019/12/13	CURRENT
345	8/3/2343	ZDM002/2020	THE MVULA TRUST	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 3 280 170.30	2019/12/13	CURRENT

346	8/3/3344	ZDM002/2020	FAKALINTULI CONSTRUCTION AND SERVICES CC	PLANNING & DEVELOPMENT	PROVISION OF ISD SUPPORT SERVICES FOR THE THREE YEAR PERIOD NOTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R 2 689 263.50	2019/12/13	CURRENT
347	8/3/3345	ZDM018/2019	JADE STAR TRADING	PLANNING & DEVELOPMENT	USUTHU RWSS: RAW WATER EXTRACTION MECHANICAL INSTALLATION	CONSTRUCTION	R 23 239 438.14	2019/10/18	CURRENT
348	8/3/3346	ZDM16/2020	ZIMASANANI PROJECTS	PLANNING & DEVELOPMENT	INSTALLATION +-1800 PRE CAST TOILET UNIT AT ZDM NORTH	CONSTRUCTION	R 13 649 557.63	2020/04/14	CURRENT
349	8/3/3347	ZDM017/2020	ELDAH N SHALOM TRADING AND PROJECT	PLANNING & DEVELOPMENT	INSTALLATION +-1800 PRE CAST TOILET UNIT AT ZDM SOUTH	CONSTRUCTION	R 16 759 003.36	2020/04/14	CURRENT

350	8/3/3348	ZDM032/2020	MQHELE TRADING AND PROJECT/ SITAMELASIVE	PLANNING & DEVELOPMENT	KWAMAJOMELA SCALE MANUFACTURING VALUE ADD IN NONGOMA	OTHER	R 13 421 000.00	2020/06/11	CURRENT
351	8/3/3349	ZDM002/2020	Indhlovu Development Consultant cc	PLANNING & DEVELOPMENT	PROVISION OF ISD SERVICES THREE YEAR CONTRACT : NORTHERN REGION OF THE ZULULAND DISTRICT MUNICIPALITY	FACILITIES	R .	2019/12/13	CURRENT
352	8/3/3350	ZDM001/2020	QUARTEX TECHNOLOGIES	PLANNING & DEVELOPMENT	SPECIALIST SOFTWARE AND DATA MANAGEMENT SUPPORT	ADMINISTRATION	R .	2020/01/01	CURRENT
353	8/3/3351	ZDM113/2018	ISIBUKO DEVELOPMENT PLANNERS	PLANNING & DEVELOPMENT	INTERGRATED DEVELOPMENT PLANNING AND GENERAL SUPPORT	OTHER	R .	2020/10/01	CURRENT

354	8/3/3352	ZDM042/2020	NTUTHATHA SOLUTIONS (PTY)LTD	FINANCE	SOURCING OF GRANTS/LOANS FUNDING FOR IMPLEMENTATION OF WATER INFRASTRUCTURE PROJECTS, SANITATION AND WATER DEMAND MANAGEMENT	FINANCIAL LEASES	R	2020/10/26	CURRENT
355	8/3/3353	ZDM003/2020	SIVAMBONGA UMENZI CONSULTING (PTY)LTD	TECHNICAL & INFRASTRUCTURE SERVICES	CIVIL ENGINEERING CONSULTANT LIST OF APPROVED SERVICE PROVIDER TO UNDERTAKE INFRASTRUCTURE PROJECTS.	CONSULTING & ENGINEERING SERVICES	R	2020/12/01	CURRENT
356	8/3/3354	ZDM053/2020	SETSHABELO TRADING 647 (PTY)LTD	PLANNING & DEVELOPMENT	NKONJENI BOREHOLE AUGMENTATION	CONSTRUCTION	R	2021/02/03	CURRENT
357	8/3/3355	ZDM052/2020	SIZABONKE CIVILS /PILCON PROJECTS	PLANNING & DEVELOPMENT	CONSTRUCTION OF RASING MAIN FROM ULUNDI WTW TO FROM ULUNDI MABEDLANE RESERVOIR	CONSTRUCTION	R		

358	8/3/3356	ZDM021/2021	BONAKUDE CONSULTING (PTY)LTD	FINANCE	PROVISION OF INTERNAL AUDIT	MUNICIPAL SERVICES	R	2021/02/18	
359	8/3/3357	ZDM006/2021	MAQAQA TRADING CC	PLANNING & DEVELOPMENT	CONSTRUCTION OF HI MAJESTY THE KING GODWILL ZWELTHINIS MONUMENT	CONSTRUCTION	R	2021/03/17	
360	8/3/3358	ZDM007/2021	AKWANDE CIVILS CC	PLANNING & DEVELOPMENT	MANDAKAZI PHASE 5.1 BULK WATER SUPPLY CONSTRUCTION OF 3KM BULK GRAVITY MAINS COMPLETION AND COMMISSIONING OF 9KM OF BULK GRAVITY MAINS AND THREE RESERVOIRS	CONSTRUCTION	R 26 361 664.00	2021/03/23	