

DRAFT

ANNUAL REPORT 2005/2006

eThekwini Municipality



# Contents

	Page	
List of Annexures	1	
List of Abbreviations	2	
Preface	3	
Message from Mayor	4	
Overview of the Municipality	5	
Executive Summary	9	
Introduction	11	
Plan One	Sustaining our natural and built environment	11
Plan Two	Economic development and job creation	12
Plan Three	Quality living environments	15
Plan Four	Safe, healthy and secure environment	18
Plan Five	Empowering our citizens	21
Plan Six	Celebrating our cultural diversity	22
Plan Seven	Good governance	27
Plan Eight	Financial viability and sustainability	33

## Annexures

A	Council and its Committees	37
B	Report of the Auditor General on the Consolidated Annual Financial Statements for the year ended 30 June 2006	38
C	Responses to the Audit Report	42
D	Report of the Chief Financial Officer	46
E	Municipal and Consolidated Annual Financial Statements	61
F	Assessment of arrears	139
G	Information technology and systems	140
H	National & Provincial Departments & Public Entities Arrears Summary	143
I	Long term contracts	144
J	Backlog strategy	145
K	Durban Marine Theme Park (Pty) Ltd	148
L	ICC Durban (Pty) Ltd	189
M	Internal Audit and Performance Management Report on the Organisational Performance Scorecard	220
N	Report of the Auditor General on factual findings on Performance Management	294
O	Report of Audit Committee	297
P	Audit Committee Charter	299

## Abbreviations

ABM	Area-based Management
ABET	Adult Basic Education and Training
BEE	Black Economic Empowerment
CBD	Central Business District
CHH	Child-headed Households
DCM	Deputy City Manager
DEAT	Department of Environmental Affairs and Tourism
DIPA	Durban Investment Promotion Agency
DFO	Durban Film Office
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
DTP	Dube Trade Port
EE	Employment Equity
EFA	Electricity for All
EMA	eThekweni Municipality Area
EPWP	Expanded Public Works Programme
ETA	eThekweni Transport Authority
EXCO	Executive Committee
GIPO	Geographic Information and Policy Office
GIS	Geographic Information Systems
ICC	International Convention Centre
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IEP	Informal Economy Policy
IMESA	Institution of Municipal Engineering of Southern Africa
INK	Inanda, Ntuzuma and Kwa Mashu area
IT	Information Technology
KPIs	Key Performance Indicators
KZN	Kwa Zulu-Natal
LED	Local Economic Development
MFMA	Local Gov.: Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MOU	Memorandum of Understanding
MPCC	Multi-purpose Community Centre
MSA	Local Government: Municipal Systems Act 32 of 2000
NPA	National Ports Authority
NVP	Nevarapine
PDIs	Previously Disadvantaged Individuals
PHC	Primary Health Care
PMS	Performance Management System
PMTCT	Prevention of Mother to Child Transmission
PMU	Project Management Unit
RIMMS	Roads, Infrastructure Maintenance Management Systems

SACN	South African Cities Network
SALGA	South African Local Government Association
SCI	Sustainable Cities Initiative
SCM	Supply Chain Management
SDB	South Durban Basin
SDP	Spatial Development Plan
SDF	Spatial Development Framework
SMS	Stormwater Management System
SOE	State of the Environment

## Preface

Section 121(1) of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that: "Every municipality and municipal entity must for each financial year prepare an annual report in accordance with its guidelines."

The purpose of the Annual Report is to:

- (b) Provide a record of the activities of the eThekweni Council during the financial year 2005/2006; and
- (c) Provide a report on performance against the budget of the eThekweni Council for the financial year 2005/2006;
- (d) Promote accountability to the local community for the decisions made throughout the year by the Municipality.

According to the MFMA, this Report should include:

- (a) The annual financial statements of the Municipality, and consolidated annual financial statements, submitted to the Auditor-General for audit in terms of section 126 (1) of the MFMA;
- (b) The Auditor-General's audit report in terms of section 126 (3) of the MFMA on the financial statements in (a) above;
- (c) The annual performance report of the Municipality as prepared by the eThekweni Municipality in terms of section 45(b) of the Local Government: Municipal Systems Act 32 of 2000 (MSA);
- (d) The Auditor-General's audit report in terms of section 45(b) of the MSA;
- (e) An assessment of the arrears on municipal taxes and service charges;
- (f) An assessment of the Municipality's performance against the measurable performance objectives referred to in Section 17 (3)(b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year 2005/2006;
- (g) Corrective action taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d); and
- (h) Recommendations of the Municipality's Audit Committee.

## Mayor's Foreword

Once again I am honoured to draw your attention to the record of eThekweni's achievements in this Annual Report 2005/2006. As the winner once more of the Municipal Performance Excellence (Vuna) Award for the best performing Metro in South Africa, Durban has demonstrated its commitment and determination to fulfil its 2020 Vision of being the most caring and liveable city in Africa.

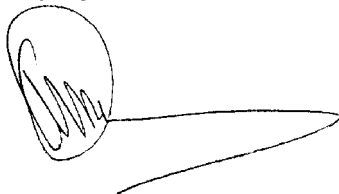
We are proud of our A1 and AA credit ratings that are among the highest accorded to any local authority. We also have comprehensive infrastructure delivery but still have much to do especially with regard to meeting housing need and maintenance of existing infrastructure. Challenges also exist in the area of achieving world class urban management in preparation for the 2010 Soccer World Cup.

The City is a world partner in a range of vital environmental programmes notably the Cities for Climate Protection Programme and International Local Action for Biodiversity Project which are critically important in our environment and climate protection. Also on the international stage, eThekweni's Sister City Programme with cities on four continents was rich with projects for sharing expertise, youth development, and sport, cultural, economic development and health initiatives. The A1 Grand Prix was an exciting new venture for Durban and we were gratified to win the award for the best event of the 2005/2006 A1 Grand Prix season.

Improving customer service and bringing government closer to the people of eThekweni has been a feature of this year. A good governance initiative was the launch of the first two regional One Stop Shops in Pinetown and Kingsburgh – 5 more are planned. These centres will make integrated Municipal services more accessible to the citizens of the Municipality. Linked to the major service centres, is a network of 40 smaller First Stop Shops in more remote areas of the Municipality to assist people with their civic needs.

A number of departments and officials won national and international acclaim in 2005/2006 but I would like to draw your attention to some less-heralded but very meaningful achievements: the interventions for traffic-calming and pedestrian safety that have performed above target, the water safety programme which helped 6800 children learn aquatic skills, and the programme which trained 28 female fire fighters.

Sincere appreciation is due to my fellow Councillors, the Municipal Manager and all Council employees for their commitment and industry.



Councillor Obed Mlaba  
Mayor eThekweni Municipality

# Overview of the Municipality

## Profile of the eThekweni Municipal Area

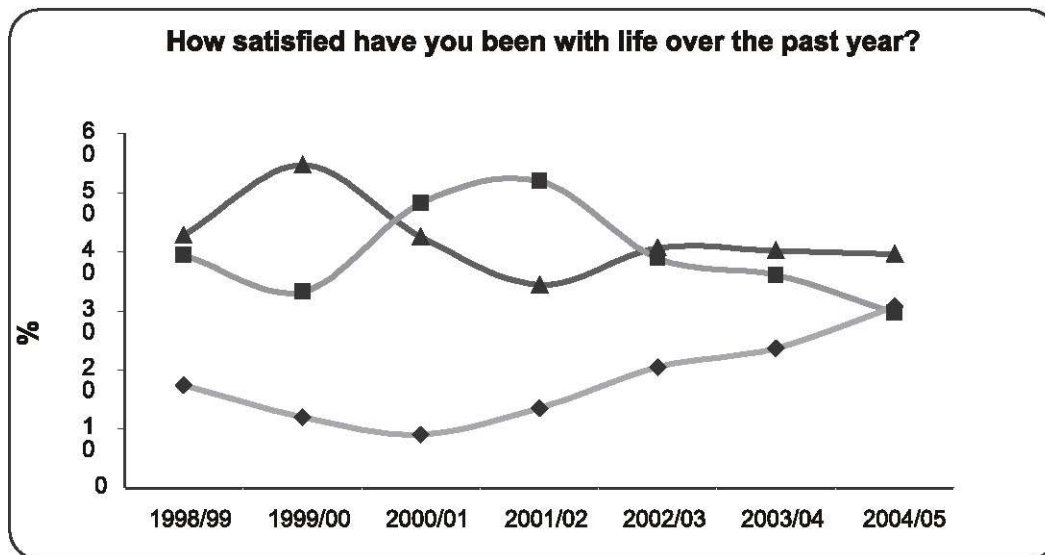
### The People

The eThekweni Metro Area (EMA) is an amalgamation of racial and cultural diversity, with African, Indian and European influences creating a vibrant cosmopolitan society. The EMA currently has an estimated population of just over 3 million and the AIDS scenario projects that the 2020 figure will also be 3 million.

The African community makes up the largest sector (68%) of the population followed by the Indian community (20%), White community (9%) and Coloured community (3%). The age profile reveals that, although the working age group comprises 68% of the population, there is a relatively large youthful population, with 28% under the age of 19 years.

According to the Municipality's 2004/05 Quality of Life survey, 40% of residents are satisfied with their lives, 30% are dissatisfied and 30% are neutral. Since 2002, satisfaction with life has been constant at 40%, and over the same period, fewer people are dissatisfied and more people are neutral. The survey has identified good personal health and a comfortable lifestyle as being the most important factors that influence satisfaction with life. It is anticipated that life satisfaction will only increase when the current high rate of economic growth results in substantial job creation, which will increase the standard of living.

Levels of life satisfaction vary considerably between racial groups, as seen in the table below. Generally speaking the African population is the least satisfied with life, the Indian population is more satisfied than the Coloureds, and the White population is the most satisfied population.



Year	African %	Indian %	Coloured %	White %
1998/99	29	60	42	75
1999/00	42	71	69	82
2000/01	32	52	68	73

2001/02	21	57	41	83
2002/03	33	50	36	79
2003/04	31	58	30	72
2004/05	26	56	54	85

## The Economy

Durban is South Africa's major port city and the second largest industrial hub (after Gauteng). The City is a key trade gateway for imports and exports because of its access to important trading routes to the east and proximity to the Gauteng mineral-industrial complex.

The City's per capita income of R23 557 per annum, although higher than the South African average, is still significantly less than that of other emerging economies. This income has declined at a rate of 0,34% in the period between 1990 and 1999, resulting in declining standards of living. The City's economy is currently growing at a rate of 4% pa. One of the central growth challenges is to double per-capita income over the next decade. In order to achieve this, a growth rate of 7,5% is required, and 18 000 new jobs need to be created before 2010, in order to realise the strategic vision.

## The Socio-spatial environment

Because of economic and political factors, the spatial configuration of the EMA forms an inverted 'T' shape with two major national freeways forming the main structuring elements of the geographic space. The N2 runs parallel to the coast, linking the EMA with the northern part of the Province and the Cape region to the south and the N3 links the EMA with the Gauteng region. Areas closer to these national roads tend to be well provided with physical infrastructure and social amenities, while areas on the periphery tend to be poorly resourced. Most of the historically black formal residential areas, as well as informal and peri-urban areas, are located on the outer periphery. This spatial configuration has resulted in a distinct pattern of inequity and inefficiencies across the EMA. The table below indicates some of the transport-related inefficiencies.

% Average Utilisation	
RAIL 21%	BUS 30% TAXI 85%
Public Transport Statistics	
Average travel times	46 mins
Average trip lengths	20,3 kms
Transport subsidy	(R400M pa)
(no recent data - need to obtain from Province and SARCC)	
Public transport use	52%

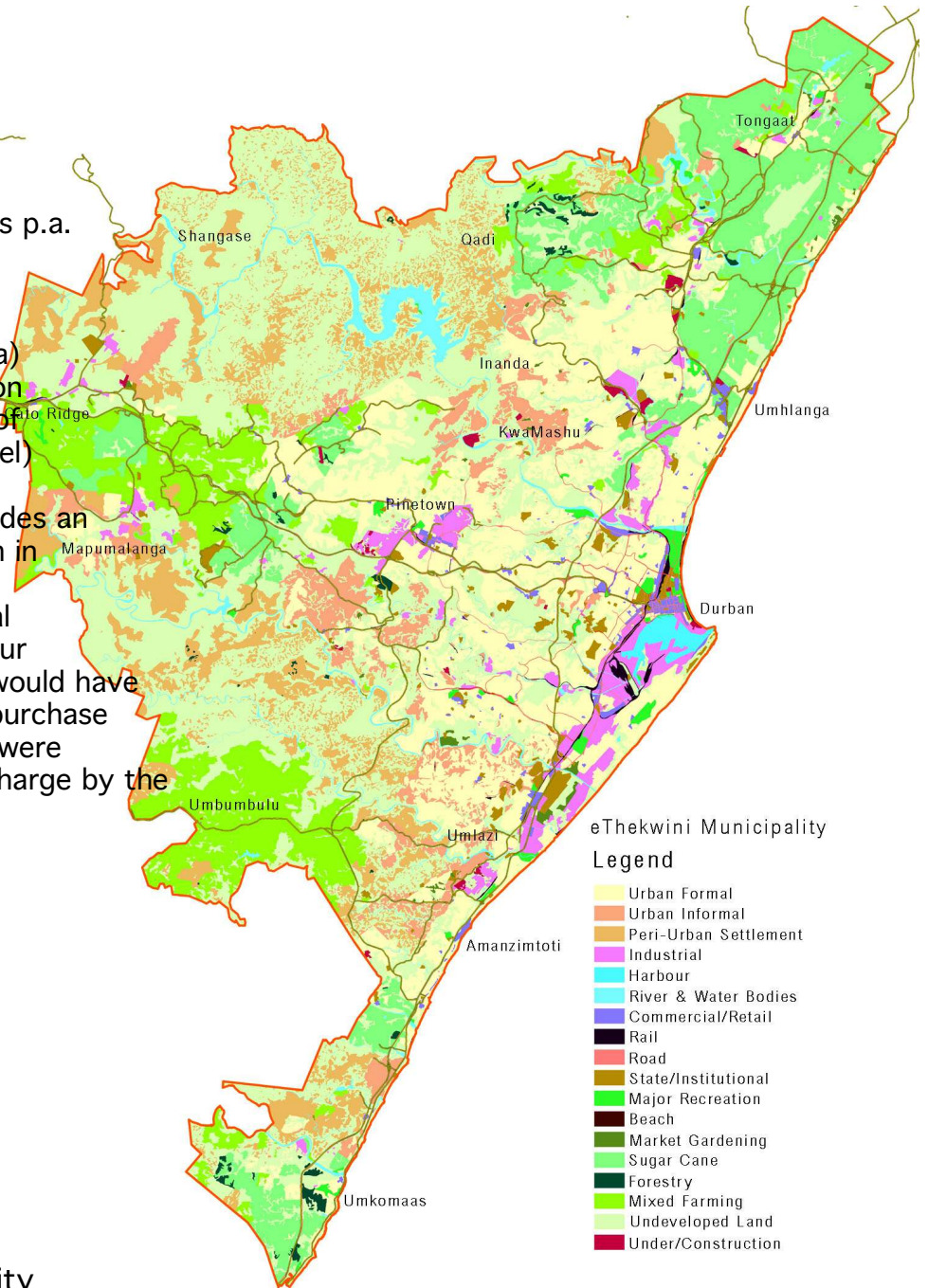
## Natural Resources

The municipal area is characterised by diverse topography, from steep escarpments in the west to a relatively flat coastal plain in the east. This landform supports a wide variety of terrestrial, freshwater and marine natural ecosystems.

## Our Natural Assets

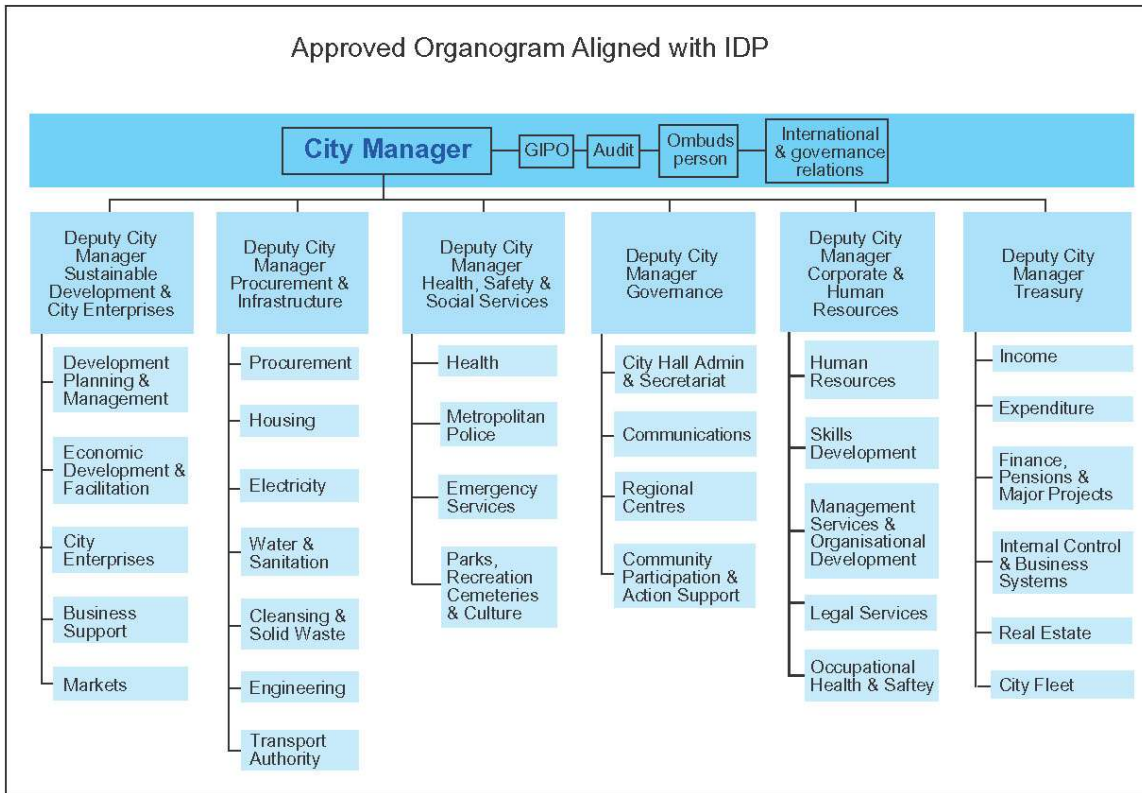
98 kilometres of coastlines  
 18 catchments, 17 estuaries  
 4 000 kilometres of rivers  
 63 114 ha. of open space  
 R3,2 billion - value of services p.a.

The value of natural services provided by the open space asset (63 114 ha) is estimated to be R3,1 billion (2002 estimate). The value of basic services (e.g. water, fuel) extracted from the natural resources in rural areas provides an estimated R8 000 per annum in services to each household. This means that if the natural resources were depleted in our rural areas, each household would have to find R8 000 each year to purchase the goods and services that were previously provided free of charge by the natural environment.

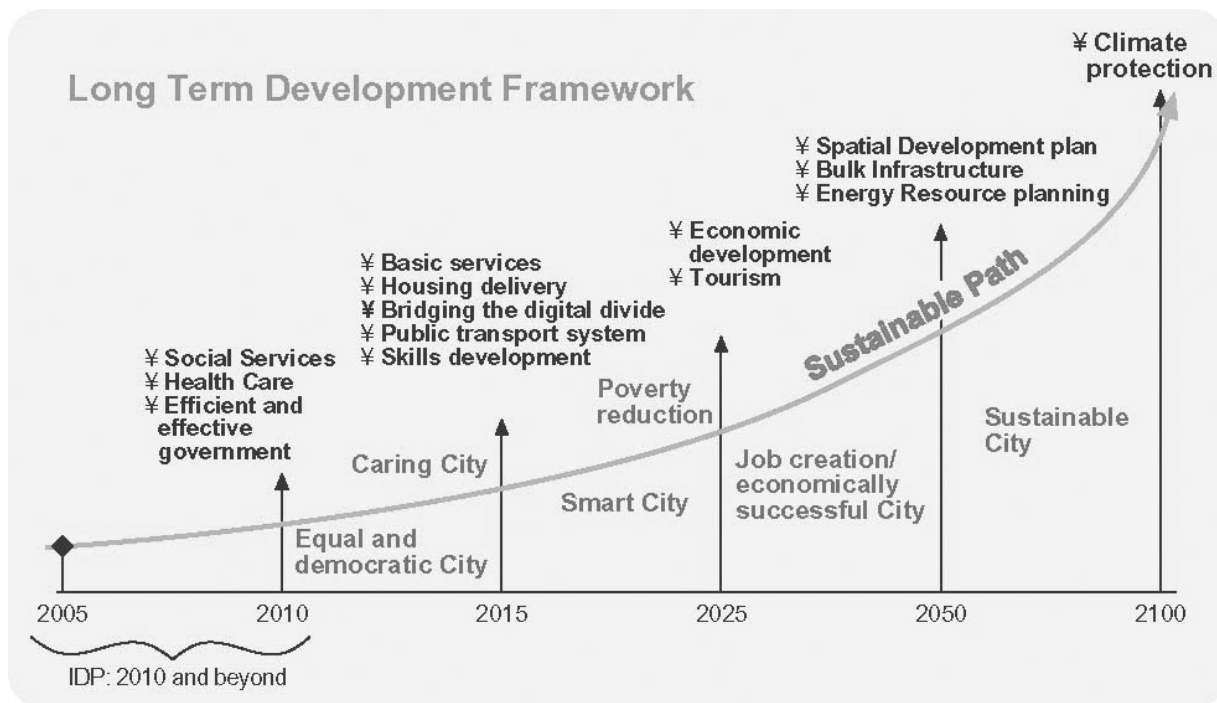


## Structure of the municipality





## Long Term Development Framework



## Executive summary

The local government election held on 5 December 2000 ushered in a new system for municipal authorities in Durban. For the first time we have a truly democratic local government that is geared to deliver services according to the needs of the people.

There was an amalgamation of the former seven council areas and the incorporation of some tribal land into one metropolitan area - the eThekweni Municipal Area.

The newly demarcated boundary increased the Durban Metropolitan area by 68% although increasing the population by only 9%. The majority of the newly incorporated areas are very rural in character with 50% of the area being used for subsistence farming and only 2% under urban settlement. These areas have little or very poorly maintained infrastructure. Being incorporated into the EMA brings hope of access to better services and opportunities to these residents. The provision of basic services to these areas is the challenge that council now faces.

## Purpose Statement

The purpose of the eThekweni Municipality is to facilitate and ensure the provision of infrastructure, services and support, thereby creating an enabling environment for all citizens to utilise their full potential, and access opportunities which will enable them to contribute towards a vibrant and sustainable economy with full employment, and thus create a better quality of life for all.

## Vision

By 2020 the eThekweni Municipality will enjoy the reputation of being Africa's most liveable city, where all citizens live in harmony. This vision will be achieved by growing it's economy and meeting people's needs so that all citizens enjoy a high quality of life with equal opportunities, in a city that they are truly proud of.

We are not just the country's best-run municipality in terms of the delivery of basic services, our assets are also excellently managed and our finances are in capable hands.

## Financial Health

eThekweni has been voted as Africa's best-run city, we have made a near clean sweep at the Vuna Awards, we continuously balance our budget even whilst assuming responsibility for unfunded mandates, we have unqualified reports from the Auditor-General, and we have the best credit rating system for a public entity in the country. Thus, we believe that there have been remarkable achievements despite our constraints.

Global Credit Rating assessed eThekweni's financial affairs in November 2006 and reported the city is worthy of an A1+ short-term credit rating and an AA long-term rating. The report states that the municipality had continued to display a sound financial profile despite there having been some challenges.

The Auditor General's unqualified report on eThekweni's finances should inspire confidence in stakeholders and potential investors in the city. Although the city is no stranger to clean audits, having achieved these for several years, the 2005/06 financial year had been particularly tough.

The City had been shifting from the fund account system that was peculiar to local government, to the new system known as the Generally Recognised Accounting Practice (GRAP), and the Generally Accepted Accounting Practice (GAAP), which required a major restating of assets and liabilities.

The change was required to ensure better financial administration of eThekweni, as underlined in the Municipal Financial Management Act. The clean audit meant that the

city had displayed good governance and compliance and had accounted for all its assets and liabilities.

# Introduction

In 2005/2006, eThekweni Municipality forged ahead with its commitment to make Durban the most caring and liveable city in Africa. The IDP's Eight Point Plan, which translates the City's key choices into focused activities, is used once again as the basis for the qualitative reporting of achievements for the financial year 2005/2006.

The Eight Plans are:

- Plan One – Sustaining our natural and built environment
- Plan Two – Economic development and job creation
- Plan Three – Quality living environments
- Plan Four – Safe, healthy and secure environment
- Plan Five – Empowering our citizens
- Plan Six – Celebrating our cultural diversity
- Plan Seven – Good governance
- Plan Eight – Financial viability and sustainability

## Plan 1: Sustaining the natural and built environment

Programmes and projects comprising this Plan demonstrate the City's response to development demands, the need to ensure the long-term sustainability of the natural resource base, as well as the requirement of a standardised and rationalised planning system across the entire City to underpin development and its management.

### Sustainable and integrated spatial planning

In the area of developing and implementing a sustainable and integrated spatial planning system, work was undertaken on the Southern area Spatial Development Plan (SDP), the Central area SDP was ready to implement at the end of the financial year, and drafting the Northern SDP was still underway. Council approved the Package of Plans approach to planning, the Spatial Development Framework (SDF) for the City was under revision in this period, and a draft spatial policy prepared.

A uniform set of zones and regulations for the City was adopted by Council and a project to implement an electronic development application monitoring system was commenced. A work study to produce guidelines for coastal zone changes was completed and the third draft of the Coastal Management Plan written. A cost surfaces model to evaluate where development should occur was completed, put into use and is already being refined.

### Pollution reduction and climate protection programme

With respect to municipal pollution reduction and climate protection, an air quality management plan was completed with reduction plans and the first round of interventions in the Cities for Climate Protection Programme undertaken.

### Sustainability of the natural resource base and biodiversity planning

A draft Biodiversity Strategy and Action Plan was prepared and workshopped with key stakeholders. The City was a partner in the launch of international Local Action for Biodiversity - this Project works to mainstream biodiversity issues in local government planning and decision-making. A Biodiversity Working Group with eThekweni stakeholders has been established and funding secured from the Department of Environmental Affairs and Tourism (DEAT) for biodiversity management projects in rural and peri-urban areas of

the City. The carbon stock analysis of ecosystems in the City's open space system has been completed and pro-active communication with landowners of environmentally-sensitive land undertaken.

In the case of certain development proposals, it is deemed possible for development to go ahead with the environmentally-sensitive land being secured by means of conservation servitude. Commitment, agreement and local action is preferable but, on occasion, in order that the natural resource base is protected, it is necessary to own the land – 43.9 ha were acquired using 100% of the budget available.

#### Environmental assessment

Environmental assessment of development proposals was streamlined and performed better than required against the targets.

#### Green budgeting

Green budgeting was introduced and all capital projects were screened for compliance with current environmental management laws.

#### Energy

The City's first State of Energy Report was completed and the Buildings Energy Efficiency Programme rolled out.

#### Indicators and assessment

In 2005/2006, there was the first Headline Indicators Report as part of State of the Environment (SOE) reporting cycle and the Municipality's first River Health Assessment Report was completed. A Best Practice Directory was issued.

## Plan 2 - Economic development and job creation

The City has adopted an economic strategy that has to be sufficiently robust to accommodate national, continental and international pressures; in its implementation, it endeavours to build upon local strengths and opportunities.

#### Economic growth and job creation

The greater part of this Plan is aimed at stimulating key sectors that promote economic growth and create jobs. Ambitious targets were set and in the ICT, logistics, automotive, film/media, chemicals, TFCL, wood products, paper and pulp, RETs, agribusiness, organics, hydroponics, indigenous medicines, organic projects, and materials recovery sectors, 70% of the targets achieved 80% and greater success.

The projects to develop and implement eco-tourism also saw most targets met especially key ones at coastal tourism sites such as Westbrook Beach, Isipingo Beach and Winkelspruit/Nyoni.

With respect to the Durban Film Office, Durban's first online locations database was launched at the Sithengi Film and Television Market 2005. This is a joint project between the Durban Film Office and the provincial Department of Economic Development. The locations database is the City's latest initiative to improve the film-friendliness of the region and further streamline the 'One Stop Shop' service offered to filmmakers wanting to film their projects in KZN. The database is freely accessible to the public and showcases 20 000 photographic images of potential private and public filming locations in KZN.

The Durban Film Office hosted the Film and Television Training Indaba to address the need for skills development in the local industry and provide local production services, training providers and giving aspiring filmmakers an opportunity to workshop these issues with key organisations such as the Commercial Producers' Association, National Film and Video Foundation, South African Scriptwriters' Association (SASWA), Association for Cinematographers South Africa and the MAPPP Seta. A SASWA chapter has been established in KZN in collaboration with the Durban Film Office and this will assist professional and emerging writing talent.

#### Markets

Turnover was up by 12,7% to R568,4m. The introduction of a table fee at the Fresh Produce Market has significantly reduced the burden on small scale farmers. A new cold room was installed to cater for demand.

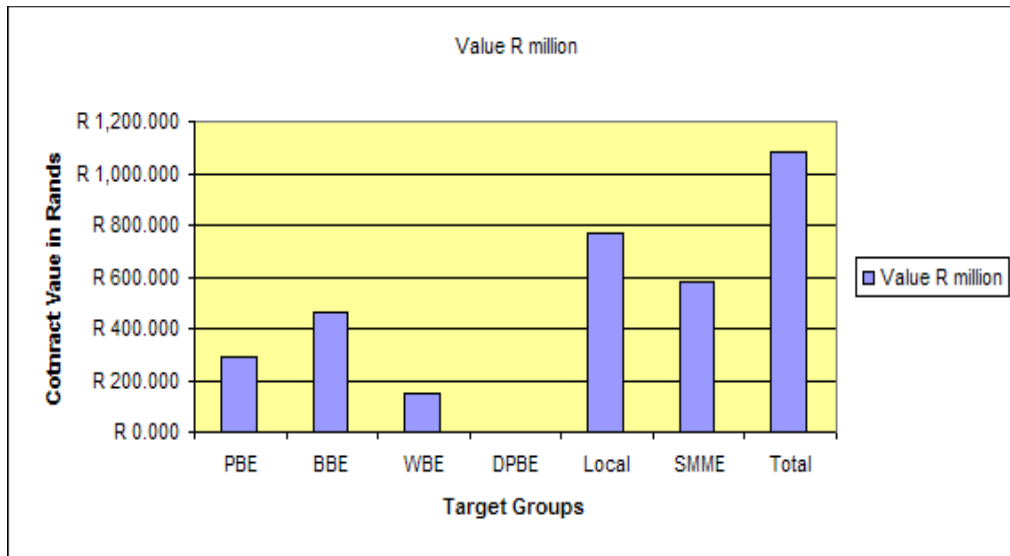
#### Port/City and Soccer World Cup 2010

Various scenarios and transport-mitigating measures have been prepared for use in Port/City deliberations and planning. Transport planning has been accelerated for the Soccer World Cup 2010 and a strategic transport response has been prepared with a draft operational plan.

#### Supply Chain Management

The Supply Chain Management Department (SCM), previously the Procurement Department, met its deadline for SCM implementation. It is leading the implementation of SCM amongst high capacity municipalities and assisting other municipalities when requested. The Department has developed a guide to tendering and a website, rolled out SCM training to practitioners and exceeded its BEE targets.

PUBLIC TENDER INFORMATION/STATISTICS					
1 July 2005 to 30 June 2006					
		Totals for the above period			
		No.	Value	Value R million	% of Total
Tenders awarded to PBE's	PBE	365	R 287,531,813	R 288	26.58%
Tenders awarded to BBE's	BBE	460	R 526,406,674	R 526	48.65%
Tenders awarded to WBE's	WBE	237	R 147,087,673	R 147	13.59%
Tenders awarded to DPBE's	DPBE	0	R 0	R 0	0.00%
Tenders awarded to Local companies	Local	541	R 767,796,314	R 768	70.96%
Tenders awarded to SMME's	SMME	541	R 579,683,954	R 580	53.58%
Total Tenders awarded	Total	618	R 1,081,942,028	R 1,082	100.00%
Total premium paid for Preferential Procurement			R 1,186,099		0.11%



Notes:

1. The figures above represent companies  $\geq 26\%$  owned and controlled ie. 'Influenced' in each of the categories
2. The results show a large drop in total value of tenders processed from the previous year ( $\pm R 1,9$  billion). This could be attributable to the fact that the limit for quotations was raised to R200 000 with the result that fewer contracts were processed through the public tender process.
3. BBE = Black Business Enterprise  
PBE = Priority Business Enterprise  
WBE = Women Business Enterprise  
DPBE = Disabled Persons Business Enterprise  
Local = Location in terms of locally based company  
SMME = Small, Medium, Micro Enterprise

### Informal trade

Facilitators registered 493 co-operatives (often after hours when staff donated time freely).

### Award

Makhosi Ncanana was a City Stars Award Finalist in the Business Development category.

## Plan 3 - Quality living environments

Programmes and projects in this Plan are aimed, not only at service delivery, but also at achieving efficiencies and an improved quality of life for citizens.

### Housing

Projects to promote social housing are ongoing and, in the case of providing new family units on hostel sites, delivery was well over target. A draft strategy on inner city housing has been written and this has informed plans for regeneration of inner city as well as adjacent areas, nodal development and urban renewal projects.

Rental accommodation stock was upgraded on target and the landlord service is ongoing. Council stock has been transferred to private owners at a lower rate than hoped and the take-over of R293 stock is also held up by legal considerations.

The Integrated Housing Delivery Plan was completed and studies into the resolution of backlogs, engineering standards and phasing completed. With respect to densification of the urban core, an audit of land was completed and representations made to National Government for subsidy review.

### Rationalising service delivery

Service backlogs are being addressed and infrastructure development and maintenance has been planned by all the relevant sectors as well as underpinned by sector asset management systems.

The work towards a sustainable supply of community facilities was successful with the access modelling model achieving 70% completion and the draft projects' assessment matrix and policy for multi-use of facilities 100% completed.

### Transport

An Integrated Transport Plan 2005-2010 has been adopted; it includes plans for public transport, roads, road safety, and travel demand, and presents a comprehensive and integrated transport strategy and implementation programme.

Warwick Junction Precinct is the largest intermodal public transport node in eThekweni and a major planning project has commenced here to rationalise and restructure the transport facilities and operations within a strategic framework that includes land use choices. The status quo assessment has been completed and conceptual planning is underway. Work has also started on a public transport distribution system for the CBD that will cater for current and future demands.

The eThekweni Transport Forum consisting of ward representatives, transport operators, officials from the ETA and other transport stakeholders meets regularly. A range of activities has been undertaken to ensure that more efficiency, legality, security and acceptable standards at public transport ranks are achieved. A public transport call centre has been allocated funding and planning is underway. Ranks for nodes in uMnini, Nchanga and Ngolosi were constructed and these will assist in the accessibility of rural communities.

A draft policy on cycling was prepared in collaboration with stakeholders and three pilot projects defined. Work has commenced to ascertain the area of greatest need for disabled travellers.

Road system management activities included operationalising of the electronic on-street parking control system in the City's CBD; a pilot installation of a reliable and contiguous route marker system for the Metro; a signs and lines management system in collaboration with the route marker system roll out; and upgrading the area traffic control system. Traffic models in critical areas have also been produced and, with container movement increasing at approx. 16% year on year, an assessment of a heavy vehicle corridor to by-pass the core of the CBD has been completed and is ready for implementation.

Traffic management plans are provided for major events and, in the period in question, two motorsport events required extensive planning and management. The City won the award for the best event of the 2005/2006 A1 Grand Prix season.



## Other sector reports

### • Architecture

This Department achieved delivery of 98% capital building projects within agreed programmes; completed in excess of 160 major capital projects at various work stages; and issued service orders for over 10 000 minor works or maintenance projects. It also supplied integrated multi-disciplinary services on approx. 40 key projects of a major, minor and maintenance nature, including the new municipal court, Westridge Tennis Stadium, the refurbishment, design and development of the new pier at Umhlanga Rocks, and the streetscape upgrade at Kwa Mashu town centre.

Other achievements include the publication of the eThekweni guide to Art Deco buildings in Durban and a proposal for a 5 year strategy for improving accessibility to public buildings.

### • Electricity

There was a trading surplus for the year with a 2% increase in the sale of electricity units – 10,6bn kWh units sold. R54m capital budget was spent on Electricity for All (EFA) projects and 10 819 new EFA customers were taken on (total of 241,713 customers on EFA). Electricity sales passed R3bn, R268m was spent on electrification projects and R10m bad debts were written off.

118 663 faults were handled, an increase of 22,7%, and targets set by the National Electricity Regulator in the 1,5 and 3,5 hour categories were met and progress made in achieving targets in the 7,5 and 24 hour categories. R20m was spent on new street lighting and R10m on street light maintenance.

Major reinforcements were planned or carried out in areas from the harbour to the Umgeni Business Park. New connections were planned for the Point development, Riverhorse Valley, La Lucia and Umhlanga and Hillcrest and its surrounding areas. Electrification is also planned for Mount Moriah, Mumalanga and Mariannhill.

A capital budget of almost R20m was used for the installation of additional or upgraded street lighting and R10m was spent on maintenance. Four stadia and sports fields have had upgraded lighting and, in the case of King Zwelithini Stadium, work commenced on the new lighting design – the project value is R3m.

Revenue protection took a number of forms and technical and non-technical losses were 5,5%. The call centre handled 511 329 calls.

Rajen Harrichunder was a joint City Stars Award winner for innovations in SCADA and Distribution Management Systems. And Luwendran Moodley shared the Award for innovation for his development and implementation of a tool to eliminate substation faults.

### • Roads

Some of the major projects completed in 2005/2006 include:

- Rehabilitation of the Southern Freeway (now Inkosi Albert Luthuli Highway) Ph 3 – R40m
- Upgrading of Quality Street/ Inkosi Albert Luthuli Highway interchange – R30m
- Construction of Carrick Road bridge – R10m
- Upgrading of Matwabula Road, Lamontville – R12m
- Mandela Road upgrade Ph 1 – R9,3m

- Molweni Access Road – R6,2m

Further statistics of capital projects:

- expressed using a standard lane width measurement, 13,8 lane km new roads, 67,9 lane km gravel to surfaced roads, 520, 7 lane km resurfacing were achieved
- 86,2 km new sidewalks were constructed
- 9 pedestrian bridges were built.

Highly Recommended Awards by the Durban branch of the SA Institution of Civil Engineering were received for the upgrading of the Quality Street Interchange and rehabilitation of Edwin Swales VC Drive - the former won the Roads and Stormwater category award as part of the IMESA: Excellence in Municipal Engineering Achievement 2006.

- Engineering

This Department has been centrally involved in development of the Kwa Mashu town centre, West Street beach node, and town centre renewal at Tongaat, Verulam, Umhlanga, Amanzimtoti, Kingsburgh. Development in the town centres has catalysed further development with Umhlanga being the fastest growing area in South Africa.

- Coastal, stormwater and catchment management

Of particular interest are the stormwater improvements contracts awarded at Umhlanga Rocks. A pier will be the continuation of a culvert and will extend approx. 80 metres across the beach to a deep-water channel. The new outfall will further improve beach quality in this area that presently has blue flag status. The pier will have long span sections to permit continuous access along the beach and will have a whalebone architectural theme.

A new stormwater management system (SMS) has commenced and will raise the level of service as it will be an integrated network instead of a series of connected separate systems. It will use an urban hydrology software package designed by a Canadian professor who graduated from Natal University and worked at the City Engineer's Department in the 1960s. The SMS must first upgrade stormwater data in GIS - a resource-hungry exercise.

- Surveying and land information

A vital activity in the 2005/2006 period, which continues, is solving land issue problems that are holding up various Capital Projects.

- Project Management Unit

The Unit has developed a first version Extended Public Works Programme (EPWP) policy document and a Labour Intensive policy document, as well as a communications policy to communicate EPWP/MIG. The Unit assisted in developing the City's three tier agricultural model and developed the City's latest Asset Management Business Plan and has also facilitated the full implementation of the Roads, Infrastructure Maintenance Management Systems (RIMMS).

A pilot programme of the large Contractor EPWP model developed by the Unit has been proposed as a tool to accelerate EPWP, nationally, and the Unit has been shortlisted on the International World Leadership Awards Forum for eThekweni's EPWP.

**Plan 4 - Safe, healthy and secure environment**

The Municipality has committed itself to creating a caring and liveable city - many of the programmes and projects in this Plan are directly linked to this Vision.

#### Road and pedestrian safety

The targets were met for traffic-calming measures and remedial measures at hazardous locations after safety audits. There was performance above target for the elimination or reduction of high frequency accident locations.

Road safety awareness campaigns for pedestrians and school children were introduced. These have involved various education campaigns as well as engineering interventions in selected areas.

#### A safer city

A fully functional CCTV system was installed in strategic locations and a steering committee was set up to develop a comprehensive crime research strategy. A satellite police unit was established in the Point area and plans for similar units were inaugurated for Cato Manor and the CBD. Further, there was closer co-operative planning with SAPS to enhance command and control and reduce crime in Durban.

A targeted Social Crime Prevention initiative saw success in the establishment of ward safety forums and in partnerships with national and provincial initiatives. The promotion of safety through the rehabilitation of bad buildings was commenced.

Memoranda of Understanding were entered into with public and private partners to enhance service delivery; the partners are ACSA, Emtentweni (Parking Meters), Business Support (Illegal Hawking) and ETA (Road Safety).

Forays against illegal trading were conducted in partnership with Business Support. The clean up of Dalton Hostel was commenced with good results in terms of dealing with illegal occupants, illegal sale of alcohol and reducing criminal activities within and around the Hostel.

The City hosted the Sub Saharan International Association of Chiefs of Police Conference that was a great success. Staff were also involved in the International Prevention of Injuries Conference where they co-ordinated and staged a mock accident scene on Walnut Road outside the ICC.

#### Prevention/reduction of the impact of disasters

The roll out of Council's plan for implementing disaster management legislation commenced. A fire safety information/education programme in the informal settlements of the INK area met the targets set and the extension of emergency services in the southern region of the Municipality was partially achieved.

The service acquired various specialised fire-fighting vehicles as well as a variety of specialised fire-fighting appliances. A Learnership programme for female fire-fighters was begun and 28 female fire-fighters completed the 12 months programme and are now fully-fledged fire-fighters of whom all but a few have been assimilated into fire services in and around Durban. It is believed that this is the first programme of its kind in South Africa.

#### Improving the safety of municipal e-assets.

Council approved data security and internet policies and there has been partial implementation.

#### Provision of a comprehensive primary health care service (PHC)

Targets for the provision of antenatal and post-natal care services, the Integrated Management of Childhood Illness Clinical Programme and the provision of Prevention of Mother to Child Transmission (PMTCT) programmes were met in full. PHC clinic service and mobile clinic services were extended to rural and deep rural areas.

#### Environmental health

The environmental health service projects in the fields of food safety and management and environmental health education were far-reaching and on target. An Air Quality Management Plan was also achieved.

#### Social Development

In providing a social development service, the Department completed a successful training of community health workers and facilitators and established 3 reception centres to facilitate access for vulnerable groups as required in the targets. Mental health and geriatric services were integrated into the package of clinic services. There was also partial success in providing and promoting food security for vulnerable patients.

#### Communicable diseases

Actions were taken to prevent communicable diseases by providing a TB Prevention and Control Service, HIV/AIDS Prevention, Treatment and Support Services, and in providing a disease vector control service by identifying high risk water courses. The latter project also has poverty alleviation work opportunities.

In addition to the specific achievements mentioned above, the Health Department also reports the following:

- 90% Professional Nurses and Doctors in the Unit received their dispensing certificates
- a significant reduction in needle stick injuries from the successful implementation of the Infection Control Policy
- ambient sulphur dioxide concentrations measured at the southern works air quality monitoring station recorded below the WHO annual guideline value
- a range of research collaborations into AIDS, TB.

#### Vulnerable groups

Targets for providing security to vulnerable groups were successful with respect to capacity building of operatives in this field in the form of training for organisations, youth and gender facilitators.

#### Indigent policy

The indigent policy was completed and implemented. There was consultation with NGOs, CBOs and FBOs on their involvement in a social responsibility programme. One hundred and one co-operatives and 12 soup kitchens were operational by the end of the 2005/2006 period.

#### Occupational Health and Safety

The Occupational Health and Safety Unit has reported a busy year. In the field of HIV/AIDS, they undertook the Seroprevalence Study, had a successful STI Condom Week at Mangosuthu Technikon, and made a presentation on eThekweni's HIV/AIDS programme to a delegation from Mali and also to Post Office staff. The Unit did needle stick injury research at eThekweni clinics, exhibited at the World Injury Prevention Conference, trained Community Health nurses and poverty alleviation project co-ordinators, and shared health and safety knowledge with various municipalities.

#### Awards

- Impumelelo Silver Award for excellence in the implementation of the Air Quality Improvement Plan

- Dr Loganathan was one of the top 3 students in the UKZN Medical School's HIV/AIDS postgraduate course
  - City Stars:
    - Benedict B Ngwenya - Community outreach
    - Tholagela Msiya - Most innovative idea
    - Hoosen Moola - Best leader
    - Tobias Mkhize - Batho Pele People's Person
- Umar Singh and team - special award for food safety at A1 Grand Prix  
 Inspector Dibben - Police  
 Occupational Health and Safety Unit - Finalist in Batho Pele People's Person category  
 Disaster Management - Second Place
- Phumulani Ngema, a chemical technician, has been awarded the Humphrey Herbert one year Fellowship programme to the United States
  - Fire department of the year – Southern African Emergency Services Institute (SAESI) Award
  - Fire-fighter of the Year – SAESI Award

## Plan 5 - Empowering our citizens

The City wants its citizens to achieve their full potential and is committed to contributing to the development of human capital as well as promoting the development of a smart city.

A key project in addressing the skills gap was the Skills Audit. Questionnaires were circulated to major ICT companies and ICT user companies and the returns analysed and reported on. This data will be shared with local tertiary institutions and service providers in order that appropriate interventions can be put in place. The model will be used for other economic sectors and the forums established will form part of a future, city-wide skills development network.

In the employment outreach and skills programmes:

- 445 unemployed youth completed Learnerships in various disciplines during this financial year
- 4360 skills development interventions were attended by Municipal employees during this year
- 14 000 students from schools in the INK area attended a Maths/Science /Technology exhibition to raise awareness of the different occupational fields and interest areas in these subjects. Further, 79 primary schools and 39 secondary schools in the INK area were provided with Maths and Science kits (microscopes and puzzles etc) to assist in the elevation of interest in these subjects at school level.

Community ABET training programmes were held but did not achieve the support hoped for.

SMME training was given to 20 learners at a basic and advanced level and, whilst the initial goal was to train 35 learners, this is a positive achievement.

A policy for co-ordinating experiential learning across the Municipality has been completed in second draft form.

A future leaders programme has been launched and the youth empowerment programme has secured sponsorship for further business skills and careers information events.

CIFAL Durban, the internationally recognised training centre for local authorities world wide, presented a special programme on Biodiversity Planning and Natural Resources. This programme was attended by 27 senior environmental practitioners, representing 20 cities from 11 countries. A programme on financing urban services was attended by 24 participants from 11 South African cities.

The Human Resources Unit has developed and adopted new HR staff structures throughout the Municipality and the placement of staff into the new structures is 70% complete. A Sick Leave Management project is being piloted and an Internal Employee Perception Study has been drafted for implementation in 2007.

## Plan 6 - Celebrating our cultural diversity

This Plan is intended to grow, stimulate and harness the enthusiasm and talent of eThekweni's citizens in the fields of sports, art and culture and, concomitantly, for them to experience personal growth, and understanding and enjoyment of cultural diversity.

There have been pleasing results in the Programme to increase participation by creating initiatives that seek to engage as many people as possible in sport and recreation.

### Sivuselela AmaThalente

This is a soccer development project in KwaMashu, Inanda / Ntuzuma, Cato Manor, Umlazi North, Umlazi South, Pinetown South, Clermont and Mpumalanga. A total of 70 schools and approximately 700 learners participated in the programme and in future finals will be played during the Celebrate eThekweni Games.

### Sport in the Park

In this holiday programme, learners participate in a range of sport codes with the aim of introducing them to a variety of codes and directing them to the nearest clubs. Last year saw an addition of more areas and a participation of close to 300 learners.

### Water Safety Programme

This programme runs in 25 swimming pools in mostly previously- disadvantaged areas and provides aquatic skills to children in junior primary schools. This year 6800 children had access to the programme.

The lifeguards on our beaches maintained a proud record of maintaining bather safety and not a single person drowned whilst they were on duty.

### Young Champions' Programme

This was initiated by the National Department of Sport and piloted in Kwa-Mashu as a presidential project. It provides a range of sporting activities for the under 13 and under 18 year olds with the aim of fighting crime, drug abuse, and women and child abuse. The success of this programme has been seen in the decline of criminal activity in the area and the successes made by Kwa-Mashu teams at City tournaments.

### Celebrate eThekweni Games

This is the Council's initiative to involve citizens in the celebration of the country's democracy and the successes of the City, and is staged in Heritage Week. All 100 wards participate in sport and this tournament leads to zonal finals culminating in a city final.

### Mass participation in indigenous sport

This initiative is geared towards the revival of indigenous sport as a means of increasing mass participation and the promotion of culture. It was initiated by the National

Department of Sport and has been conducted by the Provincial Department in Kwa-Mashu. The Sport and Recreation Department has assisted in its implementation and has in the process learned and devised means of extending and assisting the programme.

#### Winter Schools' Programme

A soccer programme for high schools, this runs during the winter school holiday and is sponsored by MSA Engineering Company. Last year it was extended to include Ntuzuma and Inanda schools.

#### Beach Summer and Winter Festivals

This is a new programme within the department and will run both in winter and in summer. The festivals will include, beach volleyball, beach soccer, wheelchair basketball and touch rugby. The programmes are developed in partnership with Durban Africa and will spread to all beaches in addition to the traditional main beachfront.

#### Wellness Campaign

This programme focuses on encouraging citizens to keep fit and live healthy lifestyles. The programme includes keep fit programmes conducted in 10 community halls throughout the City. Another component of the programme is Tai-Chi. This is done in partnership with the Department of Health.

#### Adopt a School

Following the success of the adoption of Mzuvele High School, 10 other schools were identified and adopted. Support is provided for adopted schools on the basis of their needs. The Sport and Recreation Development Department provides support for the sports programmes.

#### Sports development

The Recreation and Sport Development Department, in partnership with SAFA, conducted the selection process for the U15 football side to compete in the One Nation Cup in Germany. The team won all its matches and brought home the trophy.

eThekwini hosted the Third SA Games in conjunction with the KZN Province. Twelve codes were played and the efforts of staff from Parks, Leisure and Cemeteries and Recreation and Sport Development ensured that the event was a resounding success.

The arts, heritage and culture Programme to create economic opportunities for Arts, Heritage and Culture is still maturing, nevertheless some pleasing achievements are noted.

The City continues to show its passion for the arts and provides grants to the Playhouse Company, Durban Arts Association, RDP Community Art Centres, the Bat Centre and the KZN Philharmonic Orchestra as they are insufficiently funded by national government.

#### eThekwini Dance Development

Strictly focused on African Dance, i.e Local and Pantsula dance, the Durban Dance Challenge was initiated with the specific aim of taking the least developed dance to higher levels. After public auditions on a mobile stage in busy areas such as Umlazi Mega City, KwaMashu Shopping Mall, KwaDabeka - which also offered DJ and branding opportunities for sponsors - the City emerged with 153 dancers who were then taken through a four-day workshop with professional choreographers.

Jika Majika, an SABC 1 prime time weekly television dance programme, agreed to record 13 episodes of these dancers thereby providing them with ample opportunities at a national scale.

#### Music Programme

The City has a very wide music programme that seeks to professionalise and link local artists with record labels countrywide, and also develop local production companies. The following is an example of work in this regard:

Artist	Genre	Local Production Label/Stable	Recording/Publishing Company
Thab'sile	Afro-Pop	PPI Records	EMI
DJ Chynaman	House	DPI Records	EMI
DJ Twitty	House	DPI Records	EMI
DJ Siyanda	House	Lindelani Mkize Entertainment	Sony
Chaklas	Afro-Pop	Good Hope Records	Unreleased yet
Character	Kwaito	DPI Records	Kalawa Jazzmee
L'vovo Derango	Kwaito	Mayoni Productions	EMI
Enhle	Afro-Pop	Destiny Records	Umsinsi Press
Zuluboy	Hip-hop	United Rhythms	EMI
Anaconda	Kwaito/ Afro-Pop	Unreleased yet	
Big NUZ	Kwaito	Why Not? Productions	Gallo

The CDs mentioned are available at all music shops. As a consequence of their recordings, artists are now linked with music shows that feature national and international artists in the City and opportunities are created for them to perform at that level. Examples of such shows in this financial year include international acts like One World Music Festival, Johnny Gill, Will Downing, Cece Winans, Jonathan Butler, The Jay-Z & Rehana Tour, Coca Cola Colab, and Ronny Jordan.

Our music programme is further lobbying for local artists to be staged during music shows that have bigger stages, i.e international shows.

Women of Vinyls is a programme aimed at developing space in the male- dominated DJ scene. eThekwini currently boasts only three well published women DJs; two of these women, DJs Snazzy and C-ndo, are assisting the City with this development programme.

#### Comedy Programme

This programme started a few years ago with an invitation extended to the cast of the Pure Monate Show, which was aired on SABC 1, to come up with a comprehensive development programme that would have a hard-hitting grass-roots impact. This led to the Let Durban Laugh Comedy Festival concept, which developed into the monthly programmes, Amahlaya eTheku (eThekwini/Durban Comedy), and the new baby – 100% Zulu Stand up Comedy.



Amahlaya eTheku is a successful stand-up comedy programme aimed at revitalising the local comedy scene. Because of its sustainability, very diverse racial profile, and the ability to attract audiences who generally take the least interest in oral traditions, this programme is generally hailed (by artists and newspapers) as the most successful comedy programme yet in the City. It runs monthly at the Bat Centre.

100% Zulu Stand up Comedy is a concept born out of the increasing demand for comedy within the Zulu-speaking communities. It is mainly composed of Zulu-speaking comics and one of the major motivations for initiating this unique programme is to give confidence to our local artists to perform in a language with which they are comfortable.

### Theatre and Stage Production

Working hand-in-hand with local theatres and community art centres, the City supports various productions aimed, mainly, at achieving nation-building and moral regeneration. Some of the productions supported in the current financial year include:

- One among many: A Tribute to Inkosi Albert Luthuli – Directed by Edmund Mhlongo;
- Centenary Celebration of the Bhambada Ka-Mancinza, the prelude – Directed by Mbongeni Ngema;
- Maluju Zulu – Directed by Nkosinathi Shangase;
- Peace in the Valley – Directed by Jerry Poee; and
- Mkabayi, The 1st and only Zulu Queen – Directed by Duma ka Ndlovu.

### Libraries

Total Annual Membership - 6, 144 522

Total Number of Books Issued - 7, 396 179

Total Annual Housebound Membership - 3, 796

### Durban Art Gallery

Total Number of Durban Art Gallery Visitors - 175 209

Total Number of Durban Art Gallery Exhibitions - 24

Jenny Stretton of the Durban Art Gallery won two awards at the South African Museums' Association Conference, for the book "Ishuma' produced by the Gallery, and for the invitation to the Dumile Feni exhibition which won the category of Best Invitation.

### Museums

There are 8 museums in eThekweni: Bergtheil Local History, Cato Manor Heritage Centre, Kwa Muhle, Local History, Old House, Pinetown, Port Natal Maritime and the Natural Science.

The Natural Science Museum had 212 195 visitors and put on 7 exhibitions. and the Local History Museum had 25 563 visitors and 2 exhibitions. There were 2 350 visitors to the Old House Museum; 71 032 to the Maritime Museum and 47 075 to the Kwa Muhle Museum. The Pinetown Museum arranged 6 exhibitions and had 26,445 visitors and the Bergtheil Museum had 3,693 visitors and 4 exhibitions.

## Plan 7 - Good governance

Good governance is, among other things, participatory, transparent, democratic and accountable; the programmes and projects in this Plan are designed to achieve this for the benefit of citizens and stakeholders.

#### Communication

Internal and external communication strategies have been adopted by Council. A monthly internal newsletter is published and 46 editions of Ezasegagasini Metro were circulated in local newspapers and from designated points. Communication plans have been drafted by units and communication budgets have been partially centralised.

A communication plan was designed for the Mayor that includes weekly radio broadcasts. Also, a City marketing plan has been implemented to get brand recognition. The Metrobeat publication is operating under a new business model in terms of which it is self-funded. The Video Unit has been expanded using new revenue streams.

The Communications Department staged the Zero Carbon City campaign with the British Council and the Green City Campaign and Healthy Citizen Campaign.

#### Customer Relations

The programme to develop improved customer relations saw the launch of the first two of the Municipality's network of 7 regional One Stop Shops in Pinetown and Kingsburgh. The objective of these centres is to make integrated Municipal services available to all people of the Municipality in centres that are easily accessible to them.

A further milestone is the development of the Multi Purpose Community Centre (MPCC) in Clermont where not only Municipal Services but also Government services such as Home Affairs and Welfare are made available in the same building.

Linked to the major centres, is a network of smaller First Stop Shops that seek to bring services to the people in their own community. There are at present 40 of these First Stop Shops that are located in the smaller and more remote areas of the Municipality. Their function is to act as the first stop for residents wanting to access municipal services where every endeavour is made to resolve their queries. However if this is not possible, they are referred to one of the regional One Stop Shops and specialised and technical assistance is available.

The Regional Centres Unit, in addition to establishing this network of customer care centres throughout the Municipality, has concentrated on improving customer service. To assist in this task, the Sizakala (Get Help) Programme has been launched. This programme makes use of a number of business practices in order improve the quality and standard of customer service. In addition, a Customer Satisfaction Programme and Recognition Programme have been introduced to improve the quality of the Municipality's customer service.

The Regional Centres Unit won the City Stars Most Innovative Idea Award.

#### Efficient effective and accountable administration

A fraud and corruption prevention plan is in draft, and a training manual on ethics has been prepared.

#### Administration and City Hall

A three-day induction course was arranged for Councillors in collaboration with SALGA. Five of the ten Council meetings in 2005/2006 were held in decentralised locations to permit people in outlying areas to attend. A new committee structure system was

developed and minutes and decisions taken by committees are now available on the internet as soon as they are completed.

A proposal for rationalising the messenger system has been developed and a location for record-keeping and archives agreed. Heavy-duty equipment in the City Hall Printing Division has been replaced and a new stage curtain has been installed in the Main Auditorium. Policy for municipal-wide entertainment has been drafted.

The Mayor's Awards for Excellence is a sustainable activity in that winners and nominees are given business assistance. Other South African municipalities have shown an interest in the City's various awards programmes and Ekuruleni has implemented a City Stars Award event.

#### GIS and information management

GIS as a decision-making tool continues to be used to make the organisation more efficient and effective. A street address policy has been adopted and some progress has been made in the naming of roads. In addition, some township addresses have been rationalised and the GIS record of informal and rural dwellings updated. A management information system is being developed and the database warehouse is 70% complete. GIS applications are being integrated with business functions.

#### Knowledge management

Knowledge management projects include the finalisation and the extension of the document management system to more users. Knowledge acquisition, sharing and preservation have also been furthered with the identification of a possible knowledge resource centre and the publication of a book on Innovations and Best Practices.

#### Area-based management

Area-based management as an institutional model for delivery, and a means to bringing government to the people, has made good progress in the period in question. The five ABM areas are iTrump (central city area), SDB (South Durban Basin), the Rural ABM, INK (Inanda, Ntuzuma and Kwa Mashu) and Cato Manor.

Different approaches to ABM were operationalised and tested in 2005/2006.

Institutionalising the programme into the municipal line departments has been the approach in iTrump, SDB and Cato Manor. It has been found that this adds value to line departments without losing strategic focus in iTrump, and in the SDB and Cato Manor areas, working relationships with line departments are being improved. In the Rural ABM, a dual leadership system is in place with traditional leaders and Councillors spearheading the delivery of services. The INK ABM has had a very successful year and attributes this to co-ordination and integration and good partnerships with other spheres of government and the public sector.

The capacity of the component parts of ABM model is critical for its operation. ABM integration with line departments and the staffing of the ABM offices themselves is important - where this has been weak through staffing shortages, results have reflected this weakness. A variety of planning tools have been used by the ABM offices in all five areas: iTrump and the SDB have planning frameworks and, while INK has a SDP, the focus is on programme outcomes. In the Rural ABM, a dearth of data has necessitated research studies and, particularly, the establishment of a land database. In Cato Manor, strategies and development plans relate to different projects and programmes and include a community safety plan, an HIV/AIDS co-ordination framework and a draft urban greening spatial map. Capacitation of communities has been extensive and has taken different forms: interaction at project level in iTrump, Cato Manor, and the Rural ABM; a Joint Government Technical Forum as well as out-reach programmes in INK; partnership with

the South Durban Community Environmental Alliance in the SDB. Councillors are involved in the ABMs to a greater or lesser extent and the same is true for other Government stakeholders.

The democratic process has been deepened through the promotion of community education aimed at bringing about meaningful participation of communities in local government issues. Awareness programmes about citizens' rights and development issues enshrined in the Constitution have contributed towards social empowerment and upliftment. Stakeholders use the iTrump office as a one stop shop for inquiries about projects and municipal services. Empowerment and community outreach events in the SDB and a crime awareness campaign in the Rural ABM brought together a considerable number of people to raise awareness and focus on problem-solving. In the INK area, there is a variety of projects looking at a range of citizen empowerment issues and a community outreach programme has been piloted. The focus in Cato Manor has been on residents working on beautification of their area through art.

Economic development in the ABM areas has been enhanced. From the confidence created by the major investments in the Point/Beachfront/ICC to the programmes and initiatives for retaining and growing opportunities in the SDB, the Business Support Programme in Cato Manor (which is training small business owners), and the LED programme in the INK area, there is heartening progress to report in this critical sector.

Further, training job seekers in INK and linking them with recruiters and job opportunities is to commence. Urban Agriculture training and support is underway in Cato Manor and will generate income and support livelihoods. Public-private partnerships have been of assistance in funding and championing projects and a considerable number of businesses have resulted from these engagements thereby offering employment to local people. Learnership programmes and skills development are offered and a skills profile database is being developed for the Job Shop Project.

An improved working relationship and partnerships between the programme, line departments, provincial and national government departments, private sector and communities have strengthened the capacity for service delivery in a number of development areas. Examples of some of these projects are:

- Rural ABM has entered into a partnership for the development of Ikhaya Lobomi Community Health Care Centre. This is a joint project between the Department of Traditional and Local Government Affairs and the Rural ABM.
- The Department of Communication has established a Digital Hub at Inanda, and the INK Community Digital Hub in Ohlange is now fully operational.
- A new SAPS Police Station is currently under construction in the INK area.
- The Department of Transport has funded the establishment of the Taxi Rank at Mtshebheni, Inanda which is a positive step towards consolidating infrastructure investment around the Mtshebheni node.
- The SDB team projects included, the Coastal Management pilot project, the Employment Exchange Project, Business Retention and Expansion, the Quality Street Bridge and Upgrading the Dalton Hostel.
- iTrump projects included the Clipper Yacht Race Infrastructure and the West Street Beachfront Redevelopment Node which offers a civic space suited to hosting larger sporting events such as beach soccer ahead of the 2010 World Cup. Also undertaken were the Shepstone Street Corridor of Excellence - iTrump's contribution to link the Point development area, the West Street Corridor of Excellence - another corridor which has been the major focus of iTrump's work over the past years with nodes developed along this primary commercial street and, in 2006, additional landscaping, lighting and textured pedestrian crossing were completed.

### The City as a centre of learning

A strategy to position the City as a centre of learning was approved and Phase One of the pilot programme – the ICT field - has been reported to stakeholders.

### Co-operative and inter-governmental relations

eThekweni has a high profile in South Africa and on the African continent and has a considerable number of global partners and sister-city programmes.

### Formalised Sister City Agreements

Leeds (United Kingdom)

Chicago (USA)

New Orleans (USA)

Nantes (France)

Bremen (Germany)

Guangzhou (China)

Bulawayo (Zimbabwe)

Oran (Algeria)

Alexandria (Egypt)

Le Port (Reunion)

Rotterdam (Holland)

A new twinning arrangement has been drafted with Maputo.

### Statements of Intent

Antwerp (Belgium)

Chennai (India)

### Sister City Programme

Thirty-five projects were undertaken with sister cities in the reporting period. These were in several sectors which include economic development initiatives, health, safety and social security projects, sports, education and culture, human rights, parks, garden and environment, and urban management.

### International visits

Four delegations visited Durban for International Celebrate Durban 2005 and throughout the reporting period, 42 incoming delegations were received, 19 of which were from our sister cities. There were also 18 meetings with Consular Corp representatives. Nine outgoing delegations and visits were undertaken.

### Donor agreements

- eThekweni Municipality and United Nations Institute for Training and Research (UNITAR)/ Centre International de Formation pour les Autorites (CIFAL) – local government training
- eThekweni Municipality and European Union – Area Based Management.
- eThekweni Municipality and Canadian Ministry of Industry - Sustainable Cities Initiative (SCI)
- eThekweni Municipality and International Bank for Reconstruction and Development - Prototype Carbon Fund Emission Reductions Purchase Agreements
- eThekweni Municipality and Institute of Transport and Maritime Management Antwerp (ITMMA), European Institute of Maritime and Transport Law (EIMTL), Belgian Antwerp/Flanders Port Training Centre (APEC) – port and transport.

#### Co-operation agreements

- eThekweni Municipality Housing Department and Housing, Sao Paulo Municipality (Brazil), Shack Dwellers International (SDI), South African Homeless People's Federation, Grassroots Movements, Sao Paulo.
- Convention of Decentralised Co-operation for the Cities and Ports of the Indian Ocean – eThekweni Municipality, Port Louis (Mauritius), Tamatave (Madagascar), Le Port (Reunion).

#### Memoranda of Understanding with other strategic stakeholders

- University of KwaZulu-Natal
- Durban Chamber of Business
- National Ports Authority (Durban Port)

#### Donor report

Direct funding or in kind has been secured from Bremen, Leeds, Nantes, Antwerp, Le Port and UNESCO for a variety of projects and initiatives.

#### Events and protocol services

The programme to promote co-operative and inter-governmental relations has almost completed a Corporate-wide policy and plan for events.

The Unit also is responsible for co-ordinating the annual Celebrate Durban Programme. This event has an annual budget of R4.5 million and reaches a total of 450 000 people within the Municipality. Four foreign delegations attended the 2005 function.

In partnership with the Office of the Premier, the eThekweni Municipality participated in the 2006 African Renaissance Festival. The Municipality reinforced its loyalty to the continent, its commitment to work together to promote peace, democracy and socio-economic development.

#### New Partnership for African Development (NEPAD)

Durban is a lead NEPAD city in this initiative backed by UN-Habitat which is aimed at addressing local service delivery issues. A NEPAD/Africa desk has been established and a proposed Strategic Framework developed.

#### Community participation and action support unit

A Community Participation policy was adopted and Gender Focal Persons established. Youth Forums were launched as was the boy-child empowerment project. Twelve soup kitchens were established. Murals for women who were murdered during the struggle for freedom of this country were unveiled.

#### Office of the City Manager

This Department consists of four offices: Internal Audit and Performance Management; Geographic Information and Policy; Ombudsperson; and International and Governance relations (for latter see Co-operative and Intergovernmental Relations above).

- Internal Audit and Performance Management

This Office introduced an Enterprise Wide Risk Management solution at no cost thereby saving the Council over a million Rand in implementation costs. The Quality Assurance Review of the Revenue Management System also saved the Council over R1,2 m. A computerised Performance Management System was piloted in Treasury, the ICC and uShaka Marine Park.

Numerous recommendations were made to enhance internal control and effect savings. Prima facie irregularities uncovered during audits were referred to the Ombudsperson's Office for departmental and criminal procedures to be instituted.

The Office won 1st Prize for the Best Innovation; this was in respect of the use of Audit Command Language (ACL) to generate critical management information.

- Geographic Information and Policy Office

There are three units within this office: the Corporate Policy Unit, Information Services and Corporate GIS. The activities of the latter are largely covered above under the paragraph entitled GIS and Information Management.

- The Corporate Policy Unit (CPU) has delivered the 2004/2005 Annual Report, IDP 2006/2011, the Innovations and Good Practice book, the Quality of Life easy reader, and the City 'business card' containing statistics for 2006/2007. CPU staff also facilitated the production of the Cost Surfaces Model and the Accessibility Modelling of eThekweni social services (including population estimates). The Unit is linked into Sustainable Cities and Quality of Life networks at national, continental and international levels.
- The Information Systems Unit supports the Municipality in providing an holistic and professional corporate information, information technology and policy service. Most of the targets to ensure a stable and robust network and telecommunications infrastructure have been achieved. There is ongoing activity in ensuring a secure and virus-free environment with managed business risks. Consolidation and rationalisation of infrastructure is ongoing. An ICT Governance structure has been proposed and a suite of projects is being undertaken. Effective Information Management is well underway and effective information systems and e-government and e-governance services have secure platforms for rolling out their projects.

## Plan 8 - Financial viability and sustainability

Confidence in the City's financial viability is high - the challenge is to ensure that financial measures are sustainable and contribute to genuine growth.

### Credit rating and unqualified audit

The Municipality maintained its credit rating of A1+ for the short-term rating and AA for the long-term rating. These credit ratings are amongst the highest accorded to any local authority. An unqualified audit report was once again received; eThekweni is the only municipality in South Africa with such a record.

### Budgeting

The budgeting targets were all met and the financial model to achieve budget sustainability was completed and fine-tuned for greater accuracy.

### Grow and diversify revenue

The programmes implemented to grow and diversify the City's revenue were mainly completed: the Credit Control and Debt Management Policy was approved by Exco and the new cash receipting system went live. Alternative sources of funding and non-government long-term debt opportunities were researched and acted on.

After a rigorous evaluation process by National Treasury, a third application for funds from the Restructuring Grant facility finally met with success in 2005 when an amount of R330m spread over four financial years was earmarked for eThekweni Municipality.

In the 2005/2006 financial year, the Municipality borrowed R900 million from Nedbank with a loan term of 15 years, unsecured, at a favourable 8.47% fixed interest rate.

Visionary thinking, which led to the Effingham Avoca Joint Venture, trading as Riverhorse Valley Business Estate, has delivered pleasing results. In return for Moreland Developments developing level platforms on the flood plain, eThekweni was responsible for the construction of a link road known as Nandi Drive and an interchange off the N2 freeway. The project has been completed and the sales of the levelled sites have exceeded expectations with only a few sites remaining for sale. In terms of the profit sharing ratio, the Municipality has already received a first dividend of R10m. Profits are expected to be in the region of R105 over the next three years and eThekweni's share will be R70 million.

Revenue opportunities with respect to the rates base and tariffs received considerable attention. The valuation roll has been cleaned up and monitoring systems put in place. All tariffs except for electricity were reviewed, implemented and new and additional tariffs reported on.

Reduced costs to the organisation

Treasury compiled a log of costs and implemented some cost saving ideas that would have the greatest impact. Overall Savings of R3,4m were reported with respect to the fibre optic roll out linking the City's various telephones to the '311' number and Savings are expected to increase further when the project is completed.

Eight sub-projects were undertaken to explore possible means to cap or reduce Salaries and Wages expenditure. Productivity measures have been drafted and the other plans, besides the Grade Progression Plan, are still to be finalised. Overall Savings in the Salaries and Allowances budget was R175m (including R5m for overtime). For the quarter ended 30th June 2006, the actual milestone achieved was 30% against the target benchmark set by National Treasury of 32%. A capping on the number of days accumulated leave an employee can cash has been implemented. The effect of this capping is to limit the Municipality's cash flow in respect of its accumulated leave liability.

The historic move to put the Municipality's banking service out to tender has paid early dividends. In October 2005, the Council changed its bankers to First National Bank for the next 5 years, with the option to renew for a further 5 years. The initial projection of savings for the year was R3m, but this was exceeded by R1m and a total of R4m was achieved by the financial year end.

The General Insurance Fund surplus increased by R53m and the total Accumulated Reserve increased from R436m to R489m.

Savings in relation to fleet management have also been achieved

- o A fleet maintenance cost saving of 7.9% was recorded in 2005/2006.
- o A service truck was built using scrap material. This has saved the Council about R70 000 and the truck is currently being used to deliver fuel to landfill sites.
- o City Fleet disposed of 593 vehicles at approximately R14 million through a public auction sale using a private auctioneer with whom a fixed rate instead of the normal commission-based cost was negotiated.
- o A standardised design for Fire Engines utilising South African-produced chassis and bodywork has achieved a significant reduction in capital cost compared to imported units



and an improvement in delivery times as well as a major reduction in downtime as spare parts and after sales support are readily available locally. The standardised design has greatly facilitated the training of both technical and operating staff.

o Standardisation of rear lights on Council trucks has been introduced whereby truck manufacturers' own light assemblies are replaced by a South African manufactured unit. This has achieved a major reduction in the cost of rear light maintenance as the South African unit is very much cheaper than the imported designs. This has also achieved a significant reduction in downtime as spare light units are available at all workshops and can be installed very quickly in comparison to the delays incurred in ordering the genuine tail light assemblies from vehicle agents.

#### Acquisition of outstanding monies owed

A major achievement was the reconciliation of 90% of government accounts. Out of about R120 m that was billed to government departments, R110 m was recovered for 2005/06.

The Municipality involved a company named Propell in assisting to recover outstanding amounts for services owed by Bodies Corporate. They were able to recover an amount of R7 m out of R10m handed over to them from Bodies Corporate in the financial year 2005/2006.

#### Value Assist

Value Assist, a robust system using the latest web-based technology that was developed locally at SmartXchange, is being rewritten to support the implementation of the Municipal Property Rates Act. A database of Council-owned property is linked to Value Assist and this permits more efficient searches and enhanced response times by relevant departments.

#### Objective assessment by Commerce and Industry

A Durban Chamber of Commerce and Industry Scorecard has finally been hammered out. eThekweni now has an objective basis of assessment of its performance by one of its biggest constituencies viz. the business community which contributes more than two-thirds of our rates income.

#### Sharing knowledge

In terms of Project Consolidate, Treasury has hosted various municipalities from KZN, elsewhere in South Africa and Africa and shared with them eThekweni financial systems and processes and experiences in an effort to capacitate and assist them.

#### Awards

Treasury staff were nominated for a number of City Stars Awards and won awards for Best Department and Best Leader in 2005. The Institute of Valuers' Award was received in September 2005. In addition, the City has won numerous awards in respect of the best run City in Africa. Also, with regard to management, several accolades have also been received from, inter alia, National Treasury and the Durban Chamber of Commerce and Industry.

## Annexure A

### Council and its Committees

eThekwini Council has 200 Councillors, 100 directly elected and 100 elected through proportional representation. There is an Executive Committee that reports to the full Council. There are 17 Amakhosi within the municipal area and they meet on a monthly basis with structural communications in place for interaction between the elected and traditional leadership.

A full meeting is held monthly when the Council is in session, at which it considers Committees' recommendations. The Executive Committee has nine members and the seat allocation is on the basis of proportional representation.

The Committees are:

- o Corporate and human resources
- o Economic development and planning
- o Infrastructure
- o Health safety and social services
- o Masakhane, grants-in-aid, non-racism and non-sexism

Through the above Committees. policies are developed and the implementation of service delivery guided.

The following Committees also sit:

- o Mayor's Decision-making Committee
- o Ad hoc Committee re. Administrative Appeals
- o Housing, Cleansing, Solid Waste and Corporate and Human Resources Support Committee
- o Audit Committee (contains members who are not Councillors, see Charter in Appendix -below)

Report of the Auditor-General on the Consolidated Annual Financial statements to the Council of the eThekwini Municipality for the year ended 30 June 2006

## Annexure B

Report of the Auditor General on the Consolidated Annual Financial Statements for year ended 30 June 2006

### 1. AUDIT ASSIGNMENT

The financial statements and consolidated financial statements as set out on pages [ ] to [ ], for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), and section 126(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

## 3. BASIS OF ACCOUNTING

The municipality and the municipal entities are required to prepare financial statements and consolidated financial statements on the basis of accounting determined by the National Treasury, as described in the accounting policy note 1 to the financial statements.

## 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of eThekweni and the group at 30 June 2006 and the results of its/their operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by the MFMA.

## 5. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 5.1 Financial management

Although financial and internal control systems were developed and documented, they were not consistently implemented and maintained throughout the year. The following serve as examples of discrepancies noted during the audit:

- Owing mainly to a lack of regular reconciliations and independent reviews, assets with a negative book value totaling R12,9 million were included in the asset register. In

addition, accumulated depreciation were overstated and fixed assets understated by R3,3 million.

- The council did not enforce all contractual requirements relating to housing agreements. As a result, four housing loans totalling R30,6 million were not recovered in terms of the loan agreements.
- Minutes of procurement meetings were not always signed by the chairperson and in some cases found to be incomplete. In addition, a formal process was not in place to ensure that officials attending the procurement meetings declare possible conflict of interest which is contrary to implemented policy.
- Regular reconciliations between the VAT returns and the transactions processed through the general ledger system were not performed during the year.
- Council did not have proper controls and procedures in place to ensure that all required legal representation from council's attorneys are made available to confirm the contingent liabilities and/or assets disclosed.

## 5.2 Non-compliance with laws and regulations

5.2.1 In terms of the section 10 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) an employer may not require or permit an employee to, inter alia, work overtime except in accordance with an agreement and to work more than 10 hours overtime a week. However, due to the lack of an adequate policy, certain employees worked overtime exceeding 10 hours per week.

5.2.2 In terms of section 6(2)(c) of the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000) the administration of the municipality must take measures to prevent corruption. Although certain measures were implemented in this regard the following shortcomings were noted:

- An approved fraud prevention policy and plan did not exist.
- An approved strategic plan did not exist to ensure that the ombudsperson and investigations unit were functioning efficiently and effectively.
- Regular feedback was not provided to the audit committee on progress made with investigations.
- For most of the year the position of head of the ombudsperson and investigations unit were vacant. At year-end the vacancy level of the unit was at 74% (20 of 27 posts).

## 5.3 Computer control environment

A follow-up information systems audit of the general and application controls surrounding the information systems environment of the municipality was completed for the 2005-06 financial year. It was established that although some progress had been made in addressing the shortcomings identified during the previous audit, certain control weaknesses that could compromise the confidentiality, integrity and availability of data were still present in the control environment as a whole. These significant control weaknesses related to inadequately configured logical access to the information systems, allocation of excessive system rights to users, application process controls that did not support the validity, accuracy and completeness of transaction data, inadequate separation of incompatible responsibilities and inadequate monitoring of critical security

processes. Furthermore, the disaster recovery plan did not cover all the critical systems of the municipality.

The shortcomings identified could be attributed to delayed implementation of the policy framework necessary for the effective governance of the information systems environment as well as a shortage of staff.

In their management comments the municipality indicated that corrective actions and initiatives were in progress and would be implemented subsequent to the completion of the audit to address the reported control weaknesses.

#### 5.4 Late finalisation of the audit report

In terms of section 126(3)(b) of the MFMA the Auditor-General is required to submit the audit report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented to ensure consistency in the manner in which material audit findings are reported, I have delayed the finalisation of the audit report to the date reflected on the audit report.

## 6. APPRECIATION

The assistance rendered by the staff of the eThekweni Municipality during the audit is sincerely appreciated.

Auditor-General (South Africa)

Pretoria

15 February 2006

AUDITOR-GENERAL

## Annexure C

### Responses to the audit report: year ended 2006-06-30

Notwithstanding the fact that the Auditor General once again expressed an unqualified opinion, the following comments and recommendations are made in connection with his Report. (Paragraph references coincide with those in the report.)

#### 5.1. Financial Management

##### Assets with negative net book value

Negative net book value's arose mainly due to the processing of credit notes in the year subsequent to the creation of the asset within the fixed asset register.

A working group is currently investigating and rectifying all assets with negative balances in the register. This exercise is substantially complete.

##### Depreciation and Accumulated Depreciation calculations

The auditors findings are currently being reviewed and entries will be processed in the 2007 financial year to rectify any errors that may have occurred.

##### Recoverability of loans

A proposal from First Metro Housing company for the repayment of the loans was received and accepted by the Municipality. Correspondence confirming this was forwarded to the Auditor General's office.

The capital portion of the short term loans will be repaid by 31/03/2007 in terms of the proposal.

Further , the current value of the fixed property owned by First Metro Housing company far exceeds the liabilities.

##### Minutes of procurement meetings

A file has been created for minutes and the Bid Administration Branch will ensure that the appropriate Chairperson signs these. In addition, on each of the contract files it will be noted which committee meetings the items were considered. This will take place with immediate effect.

##### Vat reconciliations

A reconciliation of the general ledger to the VAT returns was completed as at 30 June 2006.

With effect from 1 July 2006, monthly reconciliations of the VAT return to the general ledger is completed prior to the submission of the monthly VAT return to the South African Revenue Services.

##### Legal representation

Proper procedures and controls will be implemented to ensure that all required legal representation from council's attorneys are made available to confirm the contingent liabilities/assets disclosed.

#### 5.2. Non-compliance with laws and regulations

5.2.1. We accept that in terms of the Basic Conditions of Employment Act, an employee may not work overtime in excess of ten (10) hours per week, except by agreement. We, however, confirm that we have a practice whereby we obtain overtime authority / approval prior to an employee working overtime and this forms part of the agreement for the employee to work overtime. As a further control, we send out an Overtime Analysis report, which outlines all employees that work overtime and earn in excess of thirty percent (30%) of their basic salary, to all line managers on a monthly basis. You must also be aware that employees do accumulate a few months overtime and then request payment in a particular month. This could therefore account for some of the high amounts of overtime being paid. In addition, in view of the urgency of a situation, for example burst water mains, staff would be required to work overtime to ensure continuation of the service.

In addition, all managers have been advised to ensure that the authorisation of overtime to be worked, is in terms of the Basic Conditions of Employment Act.

5.2.2. The fraud prevention policy has been submitted to the Executive Committee through the office of the Accounting Officer for approval. The fraud plan is to be finalised subject to the completion by Internal Audit of the Enterprise Wide Risk Management Process as per advice of the former Head Internal Audit. In the meantime our office is busy researching and collating information that will be used in the development of this plan.

The strategic Plan document has been completed and will be submitted to Council through the office of the Accounting Officer for approval. Further, it has to be noted that at this point in time there are 3 vacant posts for Forensic Investigators and one (1) for Forensic Auditor and these posts will be filled before the end of March 2007.

The Ombudsperson now has a standing item on the agenda of Audit Committee meetings, with regards to feedback and progress made with investigations. The audit committee will accordingly be updated at every meeting.

#### 5.4. Computer control environment

Many of the critical areas of concern are around the security settings and the management of these settings across the various software applications. The reasons for these are:-

The organization is in the final stages of a complete restructuring process. The required engagement with labour has had a negative impact on management's ability to fill certain posts and the placement of all staff in the new structure. This has hindered the performance of certain activities that would address many of the concerns now being reported on.

The approval for the filling of the post of Security Officer has been finalised and this should be implemented soon.

A high-level risk sub-committee, which reports to the City Manager, is in place and meets once a month. This committee monitors risks across the municipality and the IT risks identified in your report feature on the agenda of this committee.

A risk management tool, viz Barnowl, has been adopted and all the risks identified council wide are prioritised and will be managed using this tool. Full compliance with best practice in so far as implementing the security settings on servers and across applications have a negative impact on system performance, eg,

systems slows down, jobs fall over and queue up for unacceptable time frames. Management have attempted to strike a balance between system performance, which is crucial to service delivery, and risk. Once the new Revenue Management System is fully bedded down efficiencies will improve and more security features on the servers can be switched on.

The City Treasurer has commissioned a management team to address risks prioritised by the risk Sub-Committee, at an operational level.

Management will examine the report in detail and immediately implement those recommendations that do not require additional resources or have an impact on systems performance.

In addition, we confirm that a large part of the placement process has been completed, funding has been approved and positions will be filled. This will eliminate the staff shortage issues that have made it difficult to implement some of the desired controls.

Late finalisation of the audit report

Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP) were adopted in the preparation of the Annual financial Statements for the year ended 30 June 2006 that were delivered to the Auditor General on 31 August 2006. The National Treasury guidelines and Specimen Financial Statement per MFMA circular 18 were strictly adhered to.

However on the 4th of October, a communique issued by the Accountant General requested that SA GAAP be adopted for material balances falling outside the scope of GRAP & GAMAP standards.

On 21 December 2006, the Office of the Auditor General advised that the Annual Financial Statements may be resubmitted, by 31 January 2007, in compliance with the communiqué issued by the accountant General on the 4th of October 2006.

We took advantage of the opportunity and complied with the Auditor Generals request within the strict timeframe placed upon us.



# Annexure D

## Report of the Chief Financial Officer

### Foreword

It is the end of another financial year and the evidence suggests that once again eThekweni Municipality has instituted sound financial practices, independently supported by the high credit rating.

The budget and expenditure are aligned to the goals detailed in the Integrated Development Plan (IDP). The IDP, a strategic five-year plan, is updated annually and focuses not only on basic service provision but also on poverty alleviation with issues of sustainability underpinning all aspects of the plan.

Section 122 of the Local Government Municipal Finance Management Act (Act 56 of 2003), which requires municipalities and municipal entities to prepare annual financial statements in terms of Generally Recognised Accounting Practice, was implemented in the current year and has resulted in significant changes to accounting practices.

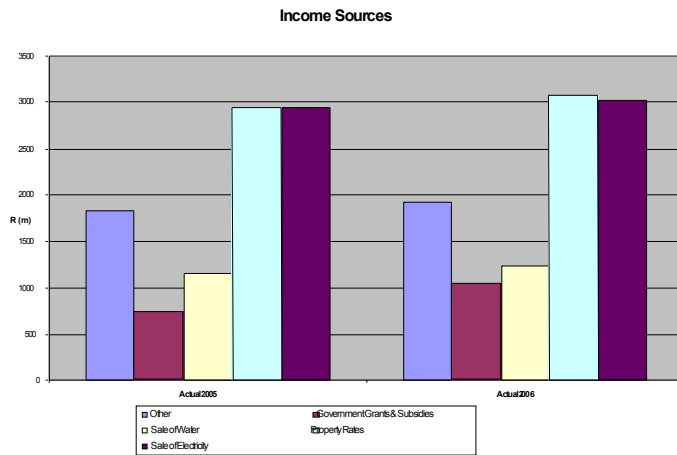
In 1998, Generally Accepted Municipal Accounting Practice (GAMAP) was introduced, providing interim accounting standards for local government, whilst the national standards, Generally Recognised Accounting Practice (GRAP) were developed. Three GRAP standards were approved by the minister and were adopted, progressively replacing GAMAP. The implementation of GAMAP/GRAP is in accordance with National Treasury guidelines, which eThekweni Municipality has consistently applied. The Annual Financial Statements of eThekweni Municipality for the current financial year were presented in accordance with GRAP and GAMAP. Where material balances were not covered by the above standards, Generally Accepted Accounting Practice standards were implemented. The introduction of these new accounting standards marked a significant step in municipal financial reforms and has brought local government closer to international standards in terms of financial reporting.

### 1. Income

The funding of the Municipality's operating costs, the costs related to the delivery of basic services and the costs of projects that will help to achieve the goals set out in the Integrated Development Plan, are accrued from various sources.

The following graph illustrates a holistic overview of revenue received by the Municipality:

-



The Municipality continuously seeks to access subsidies and grant funding from available sources and will continue to pursue these forms of funding as a means of increasing income in future.

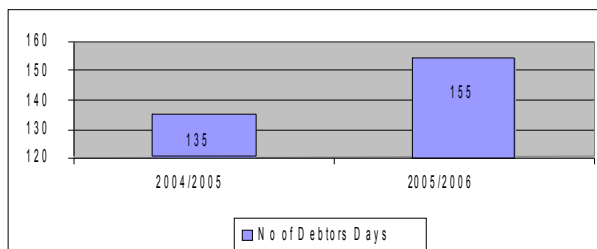
With effect from 1 July 2006, Regional Services Levies are not levied as a result of legislative changes. The Municipality will be compensated for the loss in revenue through an increase in the equitable share grant distributed by National Treasury.

## 2. Debtors

An ongoing process of reviewing debt collection policies is expected to result in an improvement in the collection of arrears. Fostering a culture of payment for services has always been a vision of the Municipality and as such it has strived to implement programmes to align with this approach.

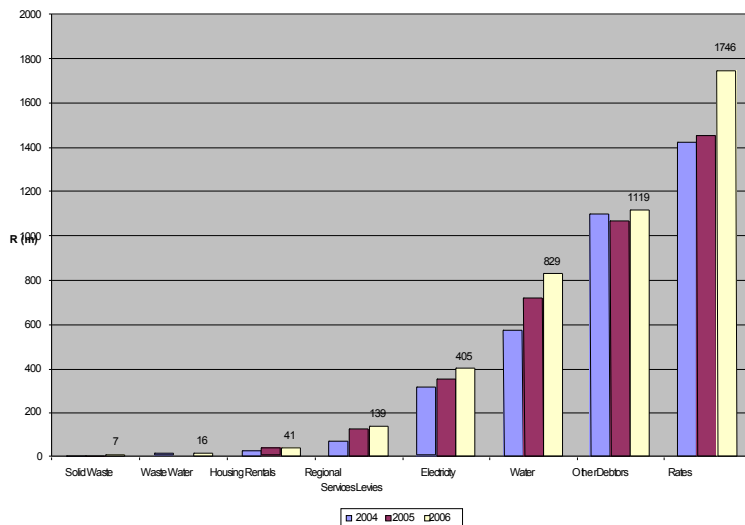
### Gross Consumer Debtors

The following table illustrates the average number of days consumers take to pay for services received, even though payment terms are generally 30 days: -



Debtors Balances as @ 30 June for the three years ending 2006

The graph below sets out the debtor balances at the end of the 2004, 2005 and 2006 financial years.



## Property Rates

A project team is currently planning the implementation of a fully automated process, which will allow for the efficient and expeditious interrogation of the large volumes of rates accounts in arrears. This team evolved from a strategic management planning process. It focuses on the eradication of lack of capabilities of the current manual process.

## Water

The 120-day debtors have increased from R484 million in the 2004/2005 financial year to R610 million in the 2005/2006-year. This is indicative of the poverty that exists, as well as the culture of non-payment for water consumed.

The collection of payment for water is an ongoing challenge for the Municipality's revenue collections. The Municipality has implemented various methods to encourage consumers to pay for the service or to restrict the service to consumers who habitually do not pay their accounts. Additional staff will be employed in 2007 to assist with monitoring and installing restrictive washers to restrict water supply to properties where consumers are unwilling to make regular payments for water. Bulk water meters have been installed to monitor consumption in key areas so that targeted interventions can be made, water mains are being actively inspected for leaks, and faults are swiftly found and repaired. Also, many illegal connections were identified and removed. An investigation

of physical supply to the billing system in certain areas was carried out and numerous older consumers have been found to be unmetered. This is being rectified.

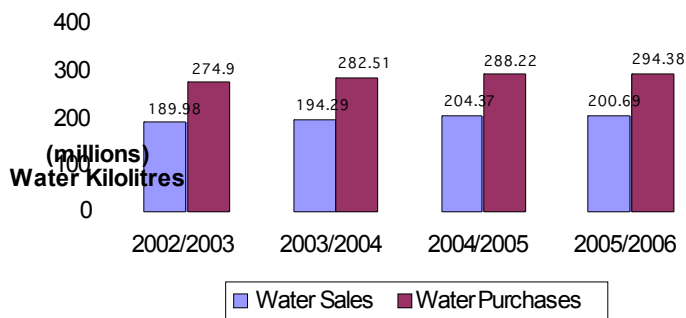
Customers who reside in residential properties with a rateable value of R30 000 or less are not charged a fixed fee for their water consumption as an incentive to alleviate hardship. However, the Municipality still fosters a culture of payment for services. The Municipality's policy of providing the first 6 kilolitres of water per month for free assists indigent consumers.

### 3. Water & Electricity Distribution Losses

It is inevitable that the Municipality experiences a loss of water and electricity due to leakage and theft. Additional funding is being sought to urgently replace asbestos cement water pipes that are old, leaking and have a tendency to burst frequently causing water disruptions.

#### Water Distribution Losses

The following graph illustrates the difference between the purchase and sale of water measured in kilolitres: -

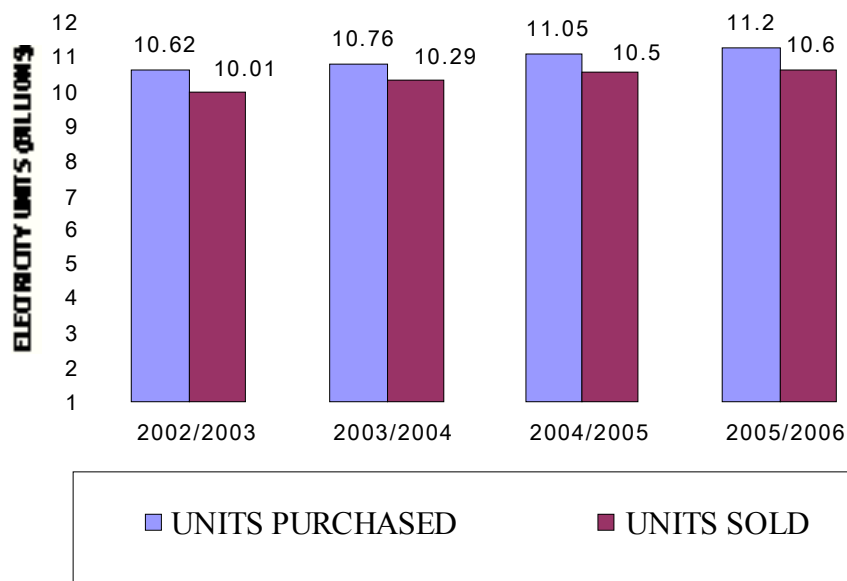


The total water sales volume of 200 million kilolitres for the year is 3,7 million kilolitres (1.8%) less than the volume in the 2004/2005 year. The main reason for the reduction in the water sales volumes and the lower-than-anticipated water sales income is due to the continuing problems being experienced with illegal connections and reconnections. During the year 14 535 new connections were installed, mainly in rural areas.

#### Electricity Distribution Losses

Units of electricity purchased increased by 1.2 % over the previous year whilst the sale of electricity units increased by 1.0 % over the same period, with the 0.6% variance contributing to the loss in distribution. The total units purchased was 11,2 billion whilst 10,6 billion units were sold. This indicates that 6% of the units purchased are lost in distribution as a result of technical losses and theft.

The following graph illustrates the difference between the purchase and sale of electricity units: -



#### 4. Tariff Overview

The tariff policy is revised annually to ensure that the basis of establishing charges is equitable and these are affordable to the eThekweni community. Every effort is made to keep service charges as low as possible whilst ensuring that the basic needs of the community are met. Tariffs represent the charges levied on consumers for the utilisation of services provided by the Municipality.

##### Tariff Increases

During the 2006 financial year there was no increase in the electricity tariff, with the last increase of an average of 3.5% having been effected in January 2005. The next increase was implemented in July 2006.

The rates tariff increased by 6% in the 2005/2006 financial year, whereas the water tariff increased by 7.5%.

#### 5. Long Term Contracts

A number of long-term contracts, which extend into the 2008 financial year, have been concluded. These include the following: -

- An agreement with Natal Sharks Board for the continued attempts to ensure the safety of bathers.
- Agreements concluded with Gabhisa Services, K P Dela Kuchi, Gezinsila Cleaning Services, Khaya-Lami Cables, Wasteng, Umlazi Cleaning Services and Blue Train Investments for the provision of refuse collection & street cleaning services.
- An agreement with Hentiq 2147 for the provision of contact centre infrastructure.

#### 6. Investments

The Municipality's Funds are invested in accordance with an Investment Policy approved by Council and drafted in conformity with the regulations published in terms of the Municipal Finance Management Act (Act no 56 of 2003).

The following schedule reflects the total external investments of the Council for the year under review compared with the previous year:

EXTERNAL INVESTMENTS	2005-06-30		2006-06-30	
	Book Value	Market Value	Book Value	Market Value
	R'000	R'000	R'000	R'000
Other Stock & Debentures	308 776	308 776	343 852	343 852
Umgeni Water Board Stock	75 156	75 156	0	0
Eskom Stock	3 793	3 793	3 793	3 793
RSA Stock	4 757	4 757	4 757	4 757
Fixed & Negotiable Deposits	2 502 608	2 502 608	2 050 000	2 050 000
Sub - Total	2 895 090	2 895 090	2 402 401	2 402 401
Short-Term Deposits	170 533	170 533	667 117	667 117
TOTAL	3 065 623	3 065 623	3 069 518	3 069 518

The market value of fixed interest investments is shown as par, on the basis that this will be the value realised upon maturity.

## 7. Credit Rating

The eThekweni Municipality has had an A1+ short-term credit rating and an AA long-term rating for 3 years. The Global Credit Rating agency assessed the Municipality's financial affairs in October 2006 based on the 2006 Annual Financial Statements and found that the Municipality continues to display a sound financial profile.

## 8. Pension

The Durban Pension Fund is a defined benefit fund and is actuarially valued on an interim basis each year with a statutory valuation undertaken every three years. A statutory valuation was done on 31 December 2003, establishing that the Fund was fully funded as at that date. The next valuation will be concluded on 31 December 2006.

Members of the Fund contribute 8.6 % of pensionable emoluments. The Municipality contributes R2.30 for each R1.00 contributed by members.

Pensions are augmented in July each year. The increase is dependent on the Fund's ability to afford up to the full increase in the annual rise in the consumer price index. The Municipality guarantees an increase of 60 % of such rise in the index, payment of which is met from current income of the various services.

For the 2005/2006 financial year, the Municipality's contribution by way of its guarantee, amounted to R417 874 (2004/05: R432 593). This amount has been reducing since 1991 when this guarantee was last required.

In November of each year, the Fund pays to each pensioner a bonus equal to 100% of that month's pension, funded 50% by the Fund and 50% by the Municipality. For the 2005/2006 financial year, the Municipality's contribution for bonus payment was R 9 606 393 (2004/05: R8 036 912).

The KZN Municipal Pension Fund became operational from 1 November 2001 when the Durban Pension Fund was closed to new members. Existing members of the Durban Pension Fund were given the option to transfer to the KZN Municipal Pension Fund.

The KZN Municipal Pension Fund is a defined contribution fund. Members contribute 5 %, 7.5 % or 9 % of their pensionable emoluments to the fund, whilst the Municipality contributes 18 %.

Some employees and the Municipality contribute to the Natal Joint Municipal Pension/Provident Funds.

## 9. Self Insurance Reserve

The Municipality operates a self-insurance scheme under the Self Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The Municipal Council delegated to the Treasurer the authority to administer the Fund and to settle any claims made by or against the Fund.

The present re-insurance arrangement of the Fund and the ultimate claim on re-insurance for each and every loss arising out of one event is as follows:

Risk	Cover R'm
Combined, (Fire and Allied Perils)	800
Fidelity Guarantee	50
Money	30
House owners Comprehensive and Public Liability	100
Comprehensive Motor Vehicle (Liability)	100
Comprehensive Motor Vehicle (Own Damage)	60
Stated Benefits	100
Principal Controlled Contractors	20
Business Interruption	120

The First Loss Limit is R10 million except for Stated Benefits and Principled Controlled Contractors where the first loss limit is R5 million. This would mean that the Fund would bear the first R10 million or R5 million of claims against re-insurance.

Premiums calculated on past claims experienced are charged to the various Clusters. The service of external Loss Adjusters and internal legal resources are used as required in the settlement of claims made by or against the Fund.

During the financial year, the claims paid amounted to R50 823 173 and investment income totalled R36 088 548. An amount of R88 847 445 was transferred from Accumulated Surplus to Self Insurance Reserve .The Self Insurance Reserve now stands at R456 818 937.

## 10. Municipal Entities

The Local Government Municipal Systems Act, Act 32 of 2000, classifies municipal entities as a company or any other corporate entity, which operates under the ownership control of the Municipality. The following companies are defined as municipal entities: -

### ICC Durban (Pty) Ltd

The International Convention Centre Durban is a conference centre with facilities to match the most advanced conference centres in the world. It is located in close proximity to the beaches and hotels.

ICC Durban is controlled by the Municipality, and is funded by revenue generated by the facility. A loan of R201 million has been granted with the object of improving the long-term socio-economic environment of the City.

### Durban Marine Theme Park (Pty) Ltd

The Durban Marine Theme Park, which trades as uShaka Marine World, comprises an oceanarium, a waterpark and a retail shopping mall.

Durban Marine Theme Park is controlled by the Municipality, and is funded by revenue generated by the facility. A loan of R470 million has been granted to assist with the construction of uShaka Marine World.

### Metro Club Trust

The Metro Club Trust administers and owns the Metro beat Magazine. The Metro beat Magazine is a well desirable consumer driven magazine that actively promotes pride in Durban through the creation of a greater understanding of the city and its cosmopolitan people.

The Metro Club trust is controlled by the municipality and is funded by membership fees and advertising fees that is billed via the consolidated billing system to consumers.

The loan / investment in these Entities is expected to result in increased future economic benefits to the region.

## 11. Revenue Management System

A new revenue management system, which is currently undergoing extensive, testing, is to be introduced in 2007. The new system will automate many processes, allowing the productivity of the Income Unit and the speed at which long outstanding debts are collected to improve. The system has already proved to be user-friendly and facilitates the access to information.

Although the project commenced during the 2003/2004 financial year, the anticipated completion is in the 2007/2008 financial year, with the total project budget being R250.8m.

## 12. 2010 Programme

The successful South African bid to host the 2010 Soccer World Cup has kickstarted a number of initiatives to ensure that the City's infrastructure and facilities are able to cope with the influx of visitors during the 2010 world cup.



The construction of the new King Senzangakhona Stadium, on the site of the old Kings Park Soccer Stadium, has commenced and the anticipated completion date is December 2008. There will be seating capacity for 70 000 people in this first class, multi-purpose sporting facility. The objective to ensure that the new stadium will not impose ongoing financial obligations on the ratepayers will be realised by securing funding from National Government for the construction costs.

Other major projects being realised include: -

- Provision of underground parking bays within the Kingsmead Sports and Recreation Precinct to cater for the influx of vehicular traffic to the City centre.
- Major road improvement and upgrade of roads within the City centre including road improvements to the N3.
- Providing a pedestrainised link to the stadium to regularise and protect pedestrian traffic.
- Improvements to Disaster Management Services. Essential planning and upgrading of appropriate mechanisms to cope with fire and emergency situations is underway.

### 13. Expression of Appreciation

At this juncture, it is appropriate that a sincere note of appreciation be expressed to the staff of the Municipality who have provided ongoing support to the management of the Municipality and myself and to the Senior Management for their unflagging dedication to steering the Municipality to being one of the leading Municipalities in Africa. A word of gratitude is extended to the City Manager for his guidance and dedication to the Municipality and the community and under whose leadership, the City continues to grow and prosper.

Yours faithfully

K.A. KUMAR B.Comm.F.I.M.F.O  
DEPUTY MUNICIPAL MANAGER  
TREASURY  
eTHEKWINI MUNICIPALITY

Annexure E

**ETHEKWINI MUNICIPALITY AND ITS MUNICIPAL  
ENTITIES**

**MUNICIPAL AND CONSOLIDATED  
ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2006**

I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 3 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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



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**Dr M O SUTCLIFFE  
MUNICIPAL MANAGER**

30 / 1 / 2007

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**Date**

## Annexure F

### Assessment of arrears

#### Rates

A major portion of rates debt is Ingonyama Trust. Negotiations with Ingonyama Trust are taking longer than anticipated. Due to the introduction of Municipal Property Rates Act, which repealed some sections of the Ordinance and Extended Powers that enabled the Municipality to follow the Sale in Execution (SIE) process, rates debt has increased. It took longer for the Municipality to get legal opinion from Senior Counsel of repealed sections and the way forward to curb rates debt. It is only in the year 2006/07 that Council is taking legal action, which will be longer than SIE.

#### Water

The consumers with properties valued R100 000 and less are encouraged to pay current accounts whilst arrears are written off over a period of 50 months. The major portion of water debt is in this category, which is considered the poorest of the poor. In 2006/07 a revised report was approved by Exco to reduce the period of write off from 50 to 20 months.

#### Bulk Electricity

The major portion of this debt is for hostels. Negotiations are ongoing with the provincial Department of Housing to settle this debt. Council cannot take legal action against the other organ of state therefore a proper procedure needs to be followed to recover from province.

## Annexure G

### Information Technology and Systems (IT&S)

The following IT activities highlight the significant investments and interventions that the municipality has made in ensuring compliance with statutory obligations and that IT&S contributes effectively to improved service delivery

## Laying Optical Fiber Cables and Creating a Broadband Network

Most municipal offices and buildings are now connected via a high speed network. This allows the municipality to run voice, video, data and mobile over the same network, thus eliminating the need to invest in separate technologies for these applications. This has significantly improved communication, sharing of information, access to electronic resources, and productivity among municipal employees. But the bigger impact of this investment is the socio-economic benefits that the people of eThekweni will begin to derive. This network infrastructure will allow the municipality to provide telecommunication services to the public at a very low cost. It will bridge the "digital divide" between urban and rural eThekweni and foster economic development outside the urban core, improve the quality of life through access to innovative online healthcare, education, government, and commercial services, and expand Durban's innovation economy by connecting businesses, universities, schools, hospitals, organizations and people with ideas efficiently and cost-effectively through broadband infrastructure and services

## Councillor Empowerment

All 200 municipal councillors have laptops equipped with data cards which give them access to the municipality's e-mail system and the intranet, as well as the internet. Each councillor has an e-mail address. This mobility gives councillors access to information anytime, anywhere.

## SMS Service

The municipality has an SMS service which allows it to send bulk SMS messages to any audience and be able to receive responses quickly and cost effectively. For example, consumers who wish to do so can now be reminded about outstanding payments, or councillors can be quickly informed simultaneously about an urgent meeting.

## Common "311" Numbering System

Except for a few remote sites, all municipal departments' telephone numbers now start with "311". This means all telephone calls between departments are now carried via the municipality's network mentioned in A above, and not via Telkom. This has made it simpler for the public to access the municipality, and calling another department means just dialing the last 4 digits. This has brought significant savings to the municipality as all internal calls are now free

## Call Centres

The municipality has reduced the numbers that the public can call for services and queries from over seventy to four: Electricity, Emergency Services, Revenue & Billing, and Engineering Services (water, sanitation, roads, stormwater, etc).

## Business Continuity and Disaster Recovery

The municipality has invested in software that allows it to capture each department's disaster recovery plan and business continuity plan for their critical information systems. This enables the municipality to not only recover in the event of a disaster, but for the business to continue as well. This software conforms to the British standard (BS25999-1) for Disaster Recovery Planning and Business Continuity Management.

## Wireless Network

The municipality has invested in a wireless infrastructure which covers the entire municipal area from Umkomaas to Tongaat to Cato Ridge. This will serve as a backup to the fiber network, as well as provide high speed connectivity to remote areas where it is not economical to install fiber. But the real benefit of this solution is a saving of at least R14m annually from the cancellation of Telkom data lines.

## Performance Management

The municipality has acquired a Performance Management software which it is using to implement performance management across all departments. The City scorecard has been implemented, as well as KPI's for Treasury, UShaka Marine, and the ICC.

## Document Management

To effectively manage documents and improve access to information, a central document management system has been implemented. It will eventually be rolled out to all departments but to date City Secretariat, Internal Audit, Ombuds office, ABM's, Regional Centers, Housing, Communications and most of Treasury have been completed.

## Business Process Management

A workflow tool has been purchased to re-engineer, streamline and automate municipal business processes to increase efficiencies. It will eventually be rolled to all departments but to date Consent Use, Leave Application, Travel Booking, and filling of vacancies processes have been completed.

## Fleet Management

With the implementation of central management and administration of cars and trucks, a fleet management system was developed and implemented. This has allowed the department to turn data into timely, well organised and accurate and easily accessible information, integrate and improve business processes that allows seamless operations across departments, increase efficiency, and provide performance indicators and benchmarks to facilitate management and operational decisions.

## Cash Receipting

A revenue receipting system has been implemented which manages the collection of all revenue for the municipality. It provides streamlined day end processing, multiple customer payment options, online customer account information, anytime banking by cashiers, and a host of other facilities which have really improved our customer service.

## CCTV

The municipality has now invested in over 170 cameras across the city. These cameras are monitored 24 hours and the control room has been linked to the national traffic information system. These cameras have greatly enhanced the municipality's ability to identify hot spots, react to crime expeditiously, pick up corruption, and use the facility as a management tool

## Annexure H

NATIONAL/PROVINCIAL DEPARTMENTS AND PUBLIC ENTITIES ARREARS SUMMARY

DEPARTMENT	ARREARS AS AT 30 JANUARY '06 RANDS	ARREARS AS AT 28 FEBRUARY '06 RANDS	ARREARS AS AT 30 MARCH'06 RANDS	ARREARS AS AT 29 APRIL '06 RANDS	ARREARS AS AT 30 MAY 2006 RANDS	ARREARS AS AT 29 JUNE '06 RANDS
DEPT OF PUBLIC WORKS	36,011,306	26,436,511	24,613,063	24,386,485	24,839,012	25,822,103
DEPT OF SOCIAL WELFARE	553,683	478,402	481,026	1,150,150	939,746	1,535,682
DEPT OF HOUSING - HOSTEL	5,031,742	5,328,048	5,964,692	6,258,573	6,609,775	6,704,879
DEPT OF WORKS	591,632	471,604	535,543	436,539	789,565	801,724
DEPT OF HEALTH	1,745,919	1,511,435	1,376,718	1,656,077	2,043,708	1,568,078
METRO RAIL	897,260	551,758	560,807	111,037	142,020	345,131
NATAL PROVINCIAL ADMIN - HOSTEL	1,152,994	1,233,186	1,189,521	1,014,197	1,031,566	1,048,905
DEPT OF TRANSPORT	139,468	117,935	125,443	343,885	422,280	430,376
S A REVENUE SERVICE	387,504	38,205	39,585	21,078	30,741	41,204
TELKOM	2,776	2,863	2,935	3,001	3,084	3,173
TRANSNET	1,309,275	1,069,789	1,808,412	2,068,941	724,510	633,947
NATAL PARKS BOARD	206,985	207,377	206,270	213,038	218,855	210,036
LOCAL GOVT. & HOUSING - HOSTEL	39,341,504	39,921,007	42,613,234	44,978,934	46,735,371	49,124,666
DEPT OF EDUCATION	302,972	31,536	30,351	352,931	454,949	409,349
	87,675,021	77,399,658	79,547,599	82,994,867	84,985,181	88,679,256



ETHEKWINI MUNICIPALITY  
FOR THE YEAR ENDED 30 JUNE 2006

LONG TERM CONTRACTS

CONTRACT NO.	CONTRACTOR NAME	FUNCTION	PURPOSE	DATE ESTABLISHED	TOTAL VALUE ( R )
1	NATAL SHARKS BOARD	Public Safety/Other	Safety of bathers	01/01/1980	6,965,650
2	PARDELY VALUATIONS	Finance&Admin/Property Services(0204)	Valuation rolls maintenance	07/01/2004	7,944,000
3	Gabhisa Services CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	7,662,440
4	KP Dela Kuchi CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	7,556,275
5	Gezinsila Cleaning Services CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	10,208,827
6	Khaya-Larni Cables CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	7,701,874
7	Wasteng(Pty) Ltd	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	8,354,449
8	Umlazi Cleaning Services CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	8,693,176
9	Blue Train Investments CC	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	07/01/2003	9,338,485
10	Wasteng(Pty) Ltd	Environmental Protection/Other(0903)	Refuse Collection and Street Cleaning	1/1/2003	2,984,520
11	Henftq 2147 (Pty)Ltd	Other/Other (3000)	Contact Centre Infrastructure	20/4/2004	12,384,000
12	Kagiso Khulani Supervision Food	Other/Other (3000)	Catering Facility Service	13/4/2004	1,159,000
13	Roman Patrols	Other/Other (3000)	Security Service	07/01/2005	1,216,000
14	Total Labour Force	Other/Other (3000)	Supply of Wristbands	05/01/2005	1,142,000
15	Evaluations	Finance&Admin/Property Services(0204)	Valuation rolls maintenance	07/01/2004	6,673,000
<b>Total</b>					<b>99,983,696</b>

Annexure I

Annexure J

A backlog strategy

Background

The Quality Living Environment Plan of the IDP, includes a programme to "Address Service Backlogs" .

The above programme includes, as a project, the development of a backlog model, which is currently underway.

In the interim, it is necessary to assess the impact of addressing these backlogs by 2010, as indicated in the President's State of the Nation address.

## Discussion

Whilst the definition of basic services, per DPLG, is limited to:

1. Water
2. Sanitation
3. Electricity/basic energy
4. Refuse removal
5. Shelter/housing, it is necessary from a Total/Quality Living Environment perspective to include:
6. Access Roads
7. Sidewalks & foot paths
8. Stormwater drainage
9. Public Transport infrastructure & services
10. Greening
11. Street numbers & names
12. Community facilities & services

This report covers items 1.) to 11.) only. Item 12.) is the subject of the preparation of an Access Model.

The ETA is yet to firm up item 9.)

For each of the above infrastructure/services the following situation pertains:



From the above table the following observations are apparent:

1. Basic Services
  - a. In order to attain the 2010 target for basic services only an additional 269 million/annum capex is required for each of the next 5 years.
  - b. An additional opex of R57.12m/annum is required in the next year, increasing by the same amount year on year.
  - c. Based on current maintenance expenditure levels (0.7% of asset value), an additional R4m/annum (R8m for appropriate maintenance), increasing year on year.
  - d. An additional R5m/annum for solid waste services.
  - e. Depreciation costs of R17m/annum (assuming straight line depreciation & asset life of 50 years)
2. Including other TLE/QLE services
  - a. Additional capex of R893m/annum is required over the next 5 years.
  - b. An additional opex of R56m/annum is required in the next year, increasing by the same amount year on year.
  - c. Based on current maintenance expenditure levels, an additional R6m/annum (R12m for appropriate maintenance), increasing year on year excluding the cost of PT services.
  - d. An additional R5m/annum for solid waste services.
  - e. Depreciation costs of R24m/annum (assuming straight line depreciation & asset life of 50 years)

## FUNDING OPTIONS

Various funding options for basic services only are discussed below:

1. Basic Services
  - a. Operating Costs = (R57.12m + R8m + R17m) = R82.12m + R5m for solid waste services = R87.12m
    - i. Rates increase = 3.4% year on year (assuming 1% = R26m).
    - ii. Increase in rates base of R3.2bn year on year i.e we require investment in the City of R3.2 bn for each of the next 5 years. Total investment of R16bn (16 "Gateways") in present day terms.
    - iii. Motivate for an increase in indigent grant from National Treasury for free basic service costs (R57.12m/annum increasing year on year). This will result in a need for either a 1% rates increase year on year or a R1 billion growth in the rates base for each of the next 5 years.
    - iv. Motivate for full additional costs of R87.12m/annum increasing year on year from National Treasury.
  - b. Capital costs.
    - i. Grant funding via increase in MIG.
    - ii. City funded- cut back in other areas.

## Annexure K

### uShaka MARINE WORLD

ANNUAL REPORT FOR THE PERIOD 30 JUNE 2006

A. Introduction and Overview including Performance highlights

B. Human Resource and Other Organisational Management

C. Financial information

- Audited Annual Financials Statements
- Comments on Auditors General Report included in the Annual Financial Statements
- Budget to Actual Comparison

## INTRODUCTION AND OVERVIEW

The opening of uShaka MARINE WORLD coincided with our country's celebration of 10 years of democracy. This was not just a political celebration but a celebration that involved all sectors of the nation. uShaka MARINE WORLD opened its doors to the general public on the 30 April 2004 at a cost of approximately R750 million. The primary aim of uShaka MARINE WORLD was to, not only act as a catalyst for urban regeneration of the Point Precinct and ultimately the city centre, but to become a major tourist destination for both Kwa-Zulu Natal and Durban. It is pleasing to note that after almost two years of operation that uShaka MARINE WORLD has successfully achieved these aims.

uShaka MARINE WORLD is operated by a management company, uShaka Management (Pty) Ltd (USM) which has a 10 year management contract. USM is a highly skilled and empowered theme park management company with international expertise and experience.

uShaka MARINE WORLD's vision is:

- To deliver an exceptional marine experience while providing entertainment for our guests...to attract and retain the highest quality employees, recognize their contributions and provide them with developmental opportunities..Our exemplary performance will enhance our reputation and profitability and create our sustainable competitive advantage.

Covering 16 hectares, uShaka MARINE WORLD consists of three parts:

### Wet 'n Wild

- Replacing the old Water World located north in the current Suncoast parking lot, this outstanding park consisting of water based slides and rides is a must for any aquatic enthusiast. Featuring heated water, exciting slides, a 450 metre Duzi Adventure River as well as souvenir stores and restaurants, this is a must for any family wanting a day out in the sun.

Launched only in November, the Drop Zone is Africa's highest slide and the newest feature in uShaka Wet 'n Wild. Standing at a height of 18.5m and with an inclination angle of 45 degrees, this 45m long water slide is not for the faint hearted. The Drop Zone holds a height restriction of 1.2m and is the ideal water ride for any adrenaline junkie. This new slide compliments the existing Plunge and Torpedo slides which are situated parallel to it, and will ensure a lasting memory for all guests to Wet 'n Wild.

## Sea World

- The jewel in the crown of uShaka MARINE WORLD, Sea World boasts not only the 5th largest aquarium in the world, but in addition a 1200 seater dolphin stadium, a 450 seater seal stadium, over 300 species of sea life and the 'Phantom Ship' consisting of restaurants and bars. The "Wreck" aquarium is a 450 metre underground aquarium featuring 5 themed shipwrecks and approximately 8000 creatures.
- Even more unique than the actual aesthetics of the Wreck Aquarium is the newly launched Dangerous Creatures exhibit. This exhibit is home to a number of venomous creatures which include the Black Mamba, poisonous dart frogs and the Gila Monster brought in from South America.

Based around a fable of how the Phantom Ship came to rest on the East Coast shores, and in particular uShaka Marine World, the Dangerous Creatures exhibit brings forth the fears of these venomous creatures that we have instilled in our minds. The main aim of this exhibit is to educate our guests of the true nature of these dangerous creatures by bringing the whole exhibit to life using sound and visual effects, and imparting the knowledge that they are not as dangerous to us as we are to them.

The Dangerous Creatures exhibit is a semi-permanent exhibit that will run for the next 2 to 3 years.

- Although the After-dark Experience has always been an uShaka Sea World value-added offering since the first year of operation, it was recently officially launched during an East Coast Radio outside broadcast hosted inside the Wreck Aquarium on 13 October. The experience now runs from 6pm to 8pm Monday to Thursday, and 6pm to 9pm Friday to Sunday. We are currently in the planning stages of growing this experience to include an early evening dolphin show.

## Village Walk

- o This uniquely themed shopping centre is approximately 10 000m<sup>2</sup> and has 88 outlets ranging from fashion to food and beverage.
- o The uniquely African themed restaurant, Moyo at the Pier has signed up at uShaka Village Walk and is set to officially open early 2007. This is an exciting phase for uShaka as it is a restaurant with tremendous national, and international, appeal – both in its quality of dining and it's experience.
- o The inaugural Golden Spear Tenant Awards was held in November 2006. The awards showcased the best performing stores, the stores making the most overall contribution to the park's ambience, and its commitment to ensuring retail delivers beyond its objectives.

Employing approximately 750 staff ( including the South Association for Marine and Biological Research) , uShaka MARINE WORLD achieved 90% of its budgeted footfall into the paid environment in its first year at 1,2 million guests and 3,8 million guests into the whole park. This financial year uShaka MARINE WORLD is currently achieving 94% of its budgeted footfall and 90% of budgeted revenues.

uShaka MARINE WORLD being a re-capitalisation business model is required to continually reinvest in new rides/attractions to maintain footfall. As with all international theme parks, these realize diminishing footfalls unless such reinvestment is made on an annualized basis.

uShaka MARINE WORLD has generated an operating profit from day one – a highly unusual feat of any project constructed at a cost of R750 million. The City does however

subsidise the shortfall on loan repayments due to the project being slightly over geared. It must be noted though that uShaka MARINE WORLD is one of the few City projects generating an operating profit (before depreciation, finance and pre-opening costs) of R2 475 968 for financial year ended June 2006 (2005 : R21 306 325).

uShaka MARINE WORLD is the largest marine theme park in Africa.

A recent Economic Impact Assessment by the Development Bank of South Africa (DBSA) revealed that the Point Precinct including uShaka MARINE WORLD is projected to:

- Contribute R3.4 billion to GDP of eThekweni annually
- Contribute 5% to GDP of eThekweni annually
- Create 25 000 new jobs within the City
- Create 4000 new jobs at Provincial level

## PERFORMANCE HIGHLIGHTS

Apart from some of the highlights mentioned above, uShaka MARINE WORLD has been a proud recipient of many awards both international and local. These being:

- The International Themed Arts and Entertainment Association award for Highest Standards of Excellence and Achievement – 2005
- Voted 5th best TV advert out of 200 for 2004
- Voted 5th best brand amongst "Tweens" in 2004
- Voted best KZN Tourist Attraction in Independent Newspapers 2004 and 2005 Readers Choice Awards
- 2005 SAPOA Awards – Overall winner for Innovative excellence and best property development
- Voted 2nd best Holiday Destination – Sunday Times Generation Next Survey 2006

## CONCLUSION

The establishment of uShaka MARINE WORLD was a visionary action that has not only fulfilled the City's primary objective of urban regeneration of the Point Precinct but has resulted in elevating Durban to a world class tourist destination.

1. Audited Annual Financial Statements – attached
2. Comments on Auditors General Report included in the Annual Financial Statements

uShaka MARINE WORLD received an unqualified audit report with attention drawn on the following matters:-

- Going Concern

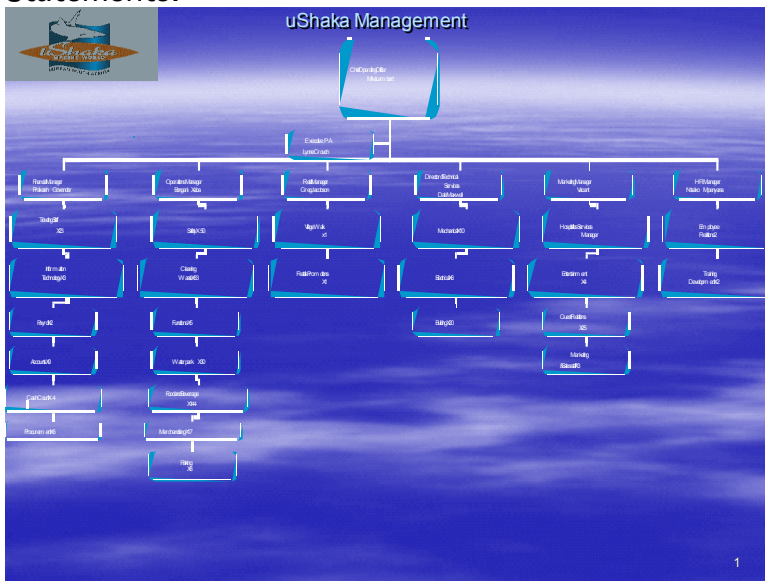
Refer to the directors' report on page 8 of the Annual Financial Statements.

- Performance Information

In terms of Section 87 of the MFMA this requirement needs to be submitted by no later than 150 days prior to the commencement of the financial year. This deadline for submission would have been by latest 31 January 2005. Management had submitted a budget to Ethekwini soon after the board approved it on 09 December 2004. Management was only informed after 31 January 2005 (towards the end of the financial year ended 30 June 2005) that Durban Marine Theme Park (Pty) Ltd is classified as a municipal entity and as a result of timing this requirement was not met.

### 3. Budget to Actual Comparison

Refer to the Appendix C on pages 29 – 30 of the Annual Financial Statements.



### 1. Organogram

### 2. Job creation

There is an ongoing drive for job creation, with new features being introduced to the Park, as well as additional skills being needed. In Peak Season, uShaka recruits and employs approx. 150 'casual' staff, all of whom are trained in customer service, coupled with the appropriate departmental training (F&B, merchandising, cleaning etc...) thus providing these individuals with skills they did not have previously. This enhances their future job prospects. 12% of casual staff was employed in permanent positions during this financial year. Through the recruitment of casuals alone, there is a knock-on effect towards job creation, simplistically to view the additional transport requirements, in certain incidents the need for child-minders as well as the additional work load the staff canteen faces. All of these require additional staff to be employed in various sectors.



All aspects of the park are viewed with a systematic approach towards job creation including a carefully controlled and monitored 'informal job creation' initiative. This refers to people who do not fall under the HR umbrella, yet are provided an opportunity to apply their trade in and around the Park, for example: 'car wash persons', 'beach sand sculptures artists', mimes, and portrait artists etc.

Obviously as the tenant base increases, new jobs are created. The influx of tourists to the province with particular reference to tourists visiting uShaka Marine World, has a known job creation impact on the province.

It is also known that a small percentage of our staff resign to open their own businesses, often using the skills and experience they acquired at uShaka. (e.g. tour guiding, B&B's, consulting etc.)

### 3. Training and Employee Development

Since opening the park, the staff, at all levels have received extensive training, across a variety of interventions, and ongoing learning is actively encouraged. A positive learning culture is embraced with the determination towards the practical application of the theoretical knowledge and skills learned.

Approximately 65% of the training is conducted in-house, by suitably qualified facilitators (and where necessary, subject matter experts). The majority of the learning material used is unit standard aligned, as per SAQA. The material is regularly reviewed through an intense quality management system.

Where training requires the services of an external provider, all providers are carefully screened against our quality standards, prior to being appointed to conduct the training.

The need for training interventions is reviewed quarterly; although an annual training plan is created in line with the Services SETA's WSP requirements – where necessary, additional training needs are addressed.

Training focuses on both the individual's needs as well as that of the Park. The information to determine the training needs is gleaned from departmental identified skills shortages, performance management reports, individual crew's requests/circumstances, and the training committee feedback as well by assessing the operational requirements for the Park.

A comprehensive induction is facilitated for all new crew (tenants are encouraged to attend this too) – which covers extensive product knowledge, HIV/AIDS awareness, fire-fighting and evacuation, customer service and employee handbook training. Existing crew are scheduled to attend refresher induction training annually.

The training interventions range from new skill training, life skills training and refresher training. We encourage, wherever possible, our staff to be multi-skilled over a range of disciplines to maximize growth of the individual as well as for maximum productivity for the Park.

Training conducted (some completed, some current and some intended):

**FINANCIAL:**

Money matters; Finance for first line managers

**MANAGEMENT:**

Industrial Relations; Basic marketing; Understanding business; Time management; Team leading; Supervisory skills; Facilitation; Labour Relations; Intro to Project Management; Conducting Performance Management

**LIFE SKILLS:**

HIV/AIDS awareness & peer training; Stress management; Conflict management

**OHSA:**

Fire fighting; Safety rep. training; First Aid; Security

**ARTISAN:**

Refrigeration technician; commercial diving

**GENERIC:**

Induction; Customer Care; Hygiene; Food and drink service skills; Computer user; Product knowledge; Basic lifeguard training

Staff are also encouraged to attend professional workshops and seminars.

A formal practical operations work exposure programme is being introduced; this is with a view that staff members, at all levels, and is exposed to the operational needs of the various departments. This programme intends creating a broad understanding of the inter-relationship between the departments. Further to the staff acquiring new skills and experience in the various departments, this assures a smooth transition where there are staff transfers and promotions.

#### 4. Benefits

Momentum Provident fund – 483 employees

Discovery Health Medical Aid - 50

#### 5. Risks

##### 5.1 HIV/AIDS

Since March 2006, 29 direct crew and 17 indirect crew have approached the EAP committee for some form of counselling, will reference to EAP matters.

The EAP has the ongoing expenses of training internal counselors as well as the steering committee – each are provided with an EAP toolkit – the costs of printing these alone is approximately R47-00. The cost of training internal counselors is ongoing, as new crew are appointed to fulfill this role – these counselors also need de-briefing to ensure they do not become too emotionally involved – which in turn can affect them psychologically, resulting in lower production levels.

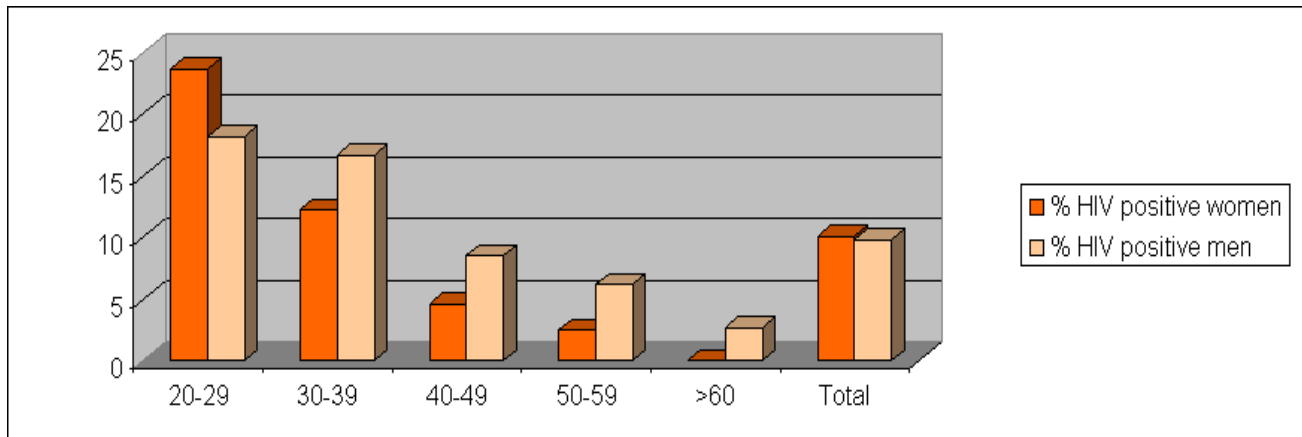
The EAP is forced to contract independent counselors to assist the staff where a number of them are affected through trauma or loss (E.g. The death fellow crew). The costs of this can range from R1200 – R2000 per day, but this forms a critical purpose to wards employee wellness.

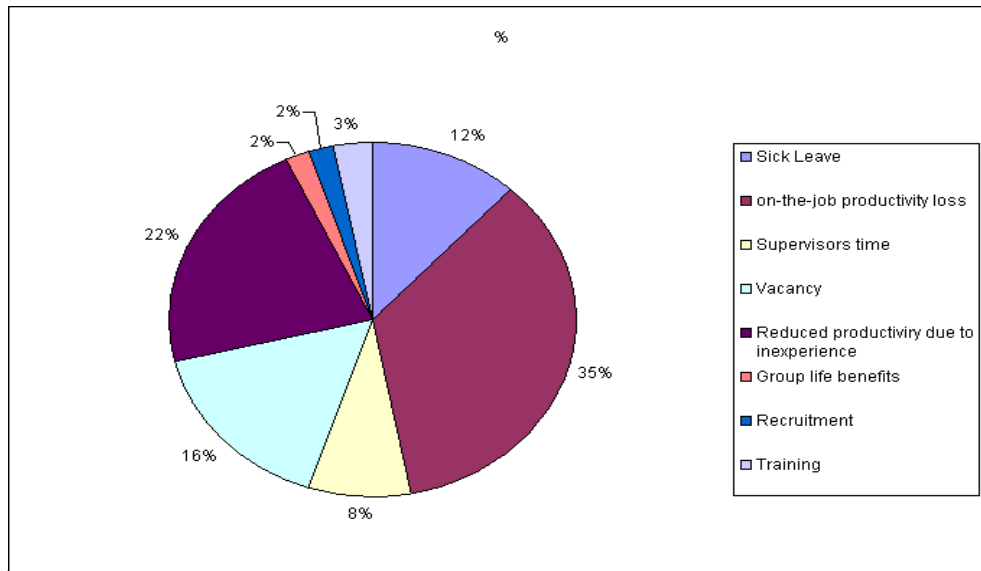
The primary areas the EAP addresses at this stage are either HIV related or loss and trauma (often these go hand in hand).

Further to KwaZulu-Natal has the highest number of people living with HIV and Aids than any other province in South Africa, as per the provincial health department, we cannot ignore the impact this will have on our crew, and our organization as a whole. Statistics released by the health department show that 40,7 percent of the population is infected with the virus. As such, the EAP has a constant drive to offer training, counseling and support to those affected or infected. The training is being conducted internally as the average \*cost of training through external providers ranges between R900 – R 1050 per person!

Our internal drive actively encourages voluntary counselling and testing (VCT), and the use of condoms (supplied by uShaka). We provide the crew learning material (R7.10 per booklet) an "I care" badge (R3.40), condoms, and help line numbers. We also encourage crew to understand the impact of living with the disease and support those infected with it. However, this drive is limited to budget constraints – and relies heavily on voluntary assistance.

Meetings with the Sinothando Centre (Addington Hospital) – the VCT center have brought to our attention the frightening statistics of the HIV prevalence rate people around us. Although accurate statistics of uShaka's prevalence rate cannot be issued – a number of the EAP counselors have reported crew disclosing their status to them and requesting assistance in getting into support programmes and ARV's. (Epicentre KZN project KAP study rate is R254.00 per person, budgetary constraints prevented us from initiating this project).





Distribution of the cost per hire related to selection, inexperience, inactivity, resignation, death for semi skilled workers

It is relevant to note, that 11 people have passed on, from what are HIV/AIDS related diseases and an increase of absenteeism in many cases give rise to concern that this disease is having an increased impact on uShaka. It is critical to also state that certain employees have resigned from the park due to ill-health, or fear of their status becoming known – the actual figure for this is hearsay, but the high staff turn over figures this year paint a more realistic picture!

## 5.2 SKILLS SHORTAGES

uShaka is constantly faced with the lack of suitably qualified and experienced individuals to meet job requirements, although this is being addressed through skills development, it does not assist in the immediate situation. When highly skilled staff terminate their employment this results in an unexpected skills shortage. In certain instances contractors are brought in to bridge the skills gaps. It is clear that skills shortages across KZN have been identified by the various SETA's, and it is not only a situation faced by uShaka.

The approach towards addressing the skills shortages at uShaka is multi-faceted.

**Recruitment and Retention:** An ongoing recruitment drive ensures that the correct persons, with the necessary skills are employed. A HR staff retention strategy focuses on the retention of key skills that are critical to the overall operations of the park.

**Succession Planning:** A succession plan has been determined, with a view towards short, medium and long term successors. Skills and experience gaps have been identified and are being addressed. The succession plan includes both a formal and informal approach towards mentoring the successors – at a range of levels. Identified staff are encouraged to take a pro-active approach in their roles.

**Bonding Policy:** Staff who gains further job specific education and training are encouraged to extend their employment contract for a period of time. This is done primarily to transfer the skills and knowledge learnt. This encourages staff to remain with the company and apply their training for the benefit of the Park, as well as to share new skills learned with their peers. This also ensures that costs incurred towards training the individual are mutually beneficial.

Coaching and on the job training: Coaches have been trained, in each department, with a view towards ensuring new and existing crew receive practical, ongoing, on-the-job training.

Accelerated Development Programme: These approach fast-tracks the learning of identified staff, over a number of departments, to ensure that there is a 'pool' of experiences and trained staff to draw on. This programme also ensures that the staff is given the necessary knowledge and tools to work effectively whilst developing themselves.

SETA's: SETA incentives are maximized where ever relevant towards skill creation, registering with the Scares Skills incentive allows us the opportunity to recruit skilled staff where necessary

Practical operations programme: This allows staff, at all levels to get practical exposure in the various departments. In doing this, new skills are learned through skills share.

Theoretical Learning/RPL: This encourages staff who may have the practical skills in a certain area, to seek recognition for this through educational training.

# Annexure L

## I.C.C. DURBAN (PTY) LTD

### ANNUAL REPORT

30TH JUNE 2006

#### A. INTRODUCTION AND OVERVIEW

#### B. DEPARTMENTAL OVERVIEW

- Marketing and Sales
- Operations
- Culinary
- Building Services and Information Services
- Finance and Administration
- Human Resources

#### C. FINANCIAL

- Audited Annual Financial Statements

I.C.C. DURBAN (PTY) LTD

### ANNUAL REPORT

#### PART A INTRODUCTION AND OVERVIEW

In the early 1990's the City took the decision to finance the ICC project, the then Durban City Council knew and accepted that the Centre's primary advantage would be its role as an economic catalyst (as reflected in the report to Council dated 20 September 1992), attracting new investment and in-bound spending into the City's economy over time.

ICC Durban (including Durban Exhibition Centre and ICC Arena) is operated through the management company I.C.C. Durban (Pty) Ltd which is wholly owned by Ethekewini Municipality.

On 8th August 2006, nine full trading years will have elapsed and it is timely and entirely opportune that the key stakeholders reflect back on the extent to which the Centre has realised the primary objective as espoused in the former Durban City Council's resolution to commit to this project, as well as to consider the Centre's management plan for the period that lies ahead.

ICC Durban enjoys a rather unique position as a public funded amenity: unlike many other examples of public sector-funded development infrastructure – such as roads, bridges and water reticulation plants – the Convention Centre has over the past nine years since opening clearly demonstrated its capacity to bring about tangible and measurable economic impact for the City and the region.

Since opening in August 1997, ICC Durban has surpassed even the most optimistic stakeholder expectations of an international-standard Convention Centre in Durban. The economic impact to the City since inception has been conservatively determined to be R4.5 billion. The Centre has become a national landmark and has established new best

practices and benchmarks for the South African meetings industry. The Centre's successes have included the hosting of many major international events, such as the Commonwealth Heads of Government Meeting (CHOGM), the Non-Aligned Movement (NAM), the World AIDS Summit, the World Conference on Racism and the inaugural African Union (AU) meeting.

Not only have these meetings resulted in significant positive multiplier effects for the local and regional economy, creating jobs and generating substantial tourism and related sector revenue flows for a broad mix of businesses and individual recipients, but the events have been (bar none) outstanding successes in terms of organization, hosting and event management practices. On each occasion, ICC Durban and Durban's meetings industry stakeholders have risen to the occasion and delivered the highest possible levels of service excellence.

These achievements have done much to place Durban firmly on the international meeting industry map and large-meeting organisers now recognize Durban as a prime venue in which to host important international meetings in Africa or in the southern hemisphere.

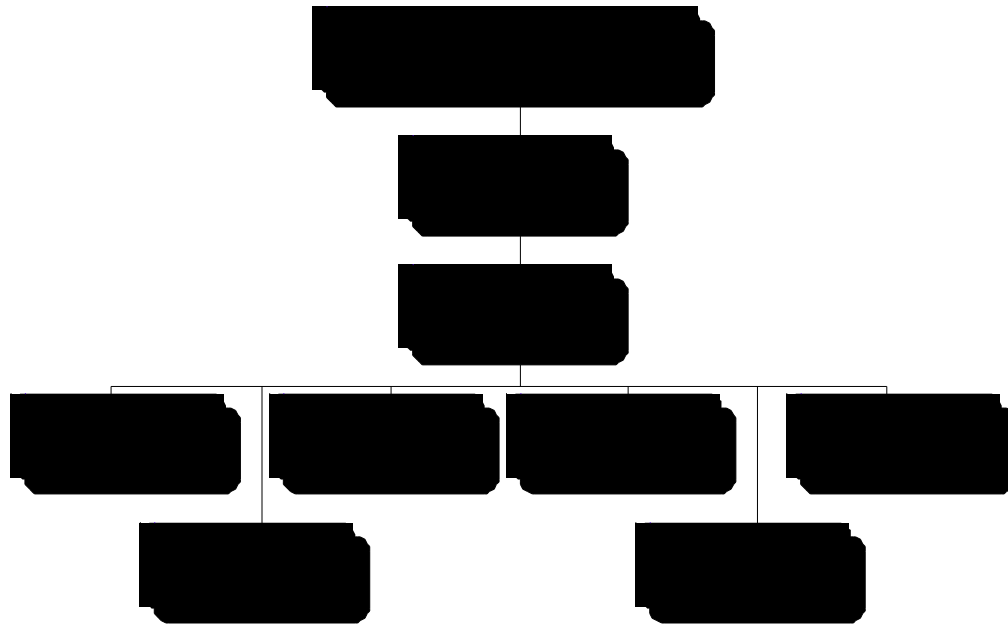
Illustratively, the International Conference and Convention Association (ICCA) recently ranked ICC Durban as Africa's number one international conference destination. The World Travel Awards has twice ranked ICC Durban as the Leading Conference Centre in Africa, and the worldwide publicity for Durban and the province resulting from events such as WCAR and the AU Summit has been priceless.

In addition to securing an enviable share of the in-bound international meetings market, ICC Durban has also proved very successful in attracting local and national meetings and events, and its popularity is evidenced by its selection (yet again) as the preferred venue in which SA Tourism (SAT) will host Indaba, the premier travel and tourism event in Africa.

ICC Durban has established an enviable niche profile on the national and international meetings map, and having achieved this positioning it looks set to continue attracting major meetings in the years ahead. There are, however, a number of factors at play that could measurably affect ICC Durban's ability to compete effectively on the long term and these have been addressed in detail in the business plan taking into consideration that the global meetings market is constantly changing and evolving, and that the national and local meetings industry is becoming increasingly competitive as other major metropolitan regions construct and open world class venues, the management team has synthesised its experiences and lessons learned over the past nine years into this roadmap with which to chart ICC Durban's future.

In addition to the above, the City's decision to build an in-door stadium on the ICC Durban site will have a dual benefit. ICC's capacity will be doubled, making it the largest Conference Centre in Africa. It will now be able to accommodate events that could not be held before, and at the same time, the running (operational) costs will be minimised due to ICC's existing infrastructure in Human Resources and Plant and Equipment. The ICC Arena is scheduled to be opened in March 2007.

**GOVERNANCE STRUCTURE:**



What follows is an appraisal of the six primary line functions within which ICC Durban operates.

## B. OPERATIONAL REVIEW

### 1. MARKETING & SALES

The Marketing Department's Business Strategy has been based on the following principles and values:

- Be a market leader in all aspects of business from marketing through to the conclusion of an event.
- Provide international standards of service.
- Maximize the economic impact to the City even if this represents an opportunity cost in terms of revenue to ICC Durban.
- Continue to increase the awareness of Durban and KwaZulu Natal as a conference destination.
- Forge viable strategic partnerships and alliances and initiate co-operative marketing opportunities.
- Utilize resources in a responsible and sustainable manner.
- A ranking in the top three 'Leading Convention Centres in the World' by AIPC.

#### Target Markets

ICC Durban's target markets have been segmented by type of event and geographical area. The order of priority is as follows:-

- International Conferences and Exhibitions



- National Conferences of over 300 delegates
- Government Conferences
- Arena Events such as concerts, indoor sporting events, etc.
- National Exhibitions
- Banquets (including weddings and Christmas functions)
- DDPs and meetings and seminars
- Product Launches
- Conferences can be further segmented into the association, corporate and governmental markets.

Marketing resources were focused on the first five types of events.

Marketing & Sales – Key Focus Areas:

The Marketing and Sales Department focused on key areas of priority within its marketing programme. These were as follows:

- 1) To increase local, national and international market share.
- 2) To focus its marketing energies on selected target markets and core business areas.
- 3) To continue existing and new develop co-operative marketing initiatives in order to generate new business.
- 4) The existing Memorandum of Agreement between ICC Durban and Tourism KwaZulu-Natal will be sustained.
- 5) Developing strong relationships with Durban Africa and the Convention Bureau.
- 6) Increased focus on electronic marketing techniques and ensuring the continual upgrade and updating of the ICC Durban website.
- 7) ICC Durban continues to develop the marketing department's human resources through successful implementation of its trainee programme and encourage inclusive approach to development of marketing initiatives.
- 8) Re-branding all ICC Durban collateral to incorporate the Arena and in order to portray the new 'feel' of ICC Durban.
- 9) Focusing on positioning and marketing of the new Arena as an added value attraction.
- 10) Maintain overseas representation.
- 11) Continue to maintain its sales focus on the South African Association market.
- 12) Increased attention being paid to relationship marketing.
- 13) Continue to refine and promote novel packages.

## 2. OPERATIONS

The Operations division is the 'engine room' of the entire facility. This Unit manages all internal and external activities pertaining to the staging of meetings and events. The unit is responsible for managing the assets of the business and for ensuring that the offering to the Centre's clients remains world class.

In terms of general objectives, the Unit identifies as its primary goals, the optimising of customer satisfaction, achieving global competitiveness and 'top three' status, increasing the levels of repeat business, maintaining a leading technological edge in terms of technical and IT infrastructure, and attaining employment equity targets.

#### Event Business Management System (EBMS)

Until recently ICC Durban used a DOS-based CABS management system. An investment has now been made into a new international-standard event management system and a supply contract has been concluded. The Windows-system (EBMS) is German-designed and is present in most major convention centres worldwide. The EBMS represents the global benchmark for event management system software.

#### Refurbishment and Re-Fit Programme

A new retrofit strategy is in place to refurbish the entire Centre, such that the building 'reads' as one continuous design entity. This has entailed the introduction of new colour schemes and a fresh approach to décor and fittings.

Key areas of refit that are to be undertaken include:

- Carpets – renewal
- Walls and pillars – painting
- Operable walls – refurbishment

It is envisaged to complete the programme by February 2007.

### 3. CULINARY

#### Strategy

The Culinary Unit management is recognising that after nine years the ICC Durban required a definitive change in its approach to culinary services. Customers have been increasingly demanding new trends in terms of food choice, display methods, themes and branding. The outcome of a survey of clients, event organisers and overseas visitors, has prompted management to subscribe to a change strategy for the Culinary Unit. Management has reviewed and was re-working the entire ICC Durban culinary offering, including food presentation and menu options such that it will differ substantively and materially from that of previous years and add a novelty element to regular clients.

Key actions has been the re-working of the culinary offering including a review of the structuring of the menus, a review of the culinary management plan, and the introduction and further development of new bespoke menus to cater for local, indigenous African tastes and food choices.

#### Branding

The Culinary unit recognises that the Centre's Food and Beverages offering required brand management. To this end, a communications campaign has been undertaken to alert selected market audiences to the F&B offering, including the showcasing of signature dishes, the hosting of a 'Chef's Table' through in-house promotion.

## Revenues

In order to contribute to increased revenues, the Culinary Unit introduced a Halaal kitchen and menu to meet the demand from the local Asian community. The profitability of this sub-set is being monitored and, if it proves successful, it may be extended into the main production kitchen.

## 4. BUILDING SERVICES & INFORMATION TECHNOLOGY

### Strategy

The Building Services function was managed by outsourced contractor, Drake & Scull.

The Contractors' responsibility included 'hard services' such as electrical maintenance, plumbing and carpentry, as well as assumption of oversight responsibility over the outsourced parking contractor, air conditioning, landscaping, lift maintenance, waste management, and pest control contractors.

### Building Maintenance

A key aspect of Building Services is the management and operation of a planned, preventative maintenance strategy that focuses on asset management within the context of the centre's infrastructure. At present date, this strategy is largely reactive however the intent is to ensure that the maintenance plan is implemented on a proactive basis. The assets under management include the air-conditioning plants, the chiller plants, electrical reticulation, building fabric and all plumbing. Daily operational issues pertaining to building maintenance will form part of the outsourced contract.

### Information Technology (IT)

The Building Services function is also responsible for the IT framework within ICC Durban. The Centre operates on a Building Management System (BMS) and this requires management, maintenance and regular upgrades. ICC Durban is regarded as being an 'intelligent building' and enjoys energy savings devices linked to the air-conditioning plants. In order to remain technologically updated the BMS and fire detection system are to be upgraded and will be appropriately networked using the latest technology available.

The Centre is driven by technology, and management is currently considering how it can become more environmentally friendly (reduce its carbon footprint) in keeping with 21st century philosophies. In recent times, ICC Durban has enjoyed various improvements to its technological capabilities, not least of which was the introduction of EBMS, requiring new servers and major IT backbone upgrades. The building is 3G, GPRS and Wi-Fi enabled

### OSHAC

The building services function operates to standards determined by the Occupational Health & Safety Act and in 2006 a new, robust compliance programme was devised and instituted. A full time Safety Officer has been appointed.

### Help Desk and Disaster Management

Building Services operates a 24/7 functioning help desk comprising a centralised Call Centre into which any member of staff, customer or member of public can call to report a building services query, complaint or problem. This is consistent with the planned

preventative maintenance strategy, allowing for damaged or malfunctioning equipment to be reported immediately and remedied.

The Building Services contractor also assumes responsibility for a Disaster Management Programme that includes IT disaster management and recovery, functional disaster management and risk appraisal.

## 5. FINANCE & ADMINISTRATION

### Strategy

The Finance and Administration unit's primary functions are described as:

- To provide accurate and timely financial information, namely management accounts and variance reports;
- To manage revenue and receivables and expedite collection of revenues (debtors)
- Supplier payments
- Asset register management and control oversight
- Preparation of annual operating budgets
- Risk management
- To manage and monitor procurement protocols within MFMA regulations
- To provide departmental heads with financial control support and advisory inputs

The Finance department produces monthly financial and statistical reports for management, the Board of Directors and the eThekweni Municipality in terms of the MFMA and Companies Act.

### Municipal Financial Management Act 2005 (MFMA)

The MFMA came into effect in 2005 and given that ICC Durban is wholly owned by the eThekweni Municipality, it is required to conform to the prescriptions and guidelines espoused by this legislation.

ICC Durban is now compliant and will continue to ensure full compliance with the MFMA.

### Supply Chain Management (SCM)

A key responsibility of the Finance and Administration unit is Supply Chain Management – the procurement process to which ICC Durban is bound to conform.

### Key Performance Indicators

The Finance and Administration unit manages and monitors the following measurements:

- Debtor days

- Creditor days
- Key ratios on F&B and Casual Wages – monitoring of costs
- CAPEX to budget ratio – monitoring of overspends and under-spends

The Finance and Administration unit provides Management with the guidelines and advisory services in respect to achieving full compliance with corporate governance. ICC Durban is essentially a public sector entity that operates to leading private sector governance and reporting standards.

## 6. HUMAN RESOURCES

### Strategy

ICC Durban Management team has a strategy that will enable the Centre to substantially improve on its employment equity goals and objectives. In terms of the BEE scorecard, ICC Durban already meets 2009 requirements; however the new revised strategy now also addresses the issue of introducing black females at management level.

Another primary ongoing initiative is to match the personnel complement's work ethic against the Centre's stated goal of being the world's best Convention Centre. There has been a purposeful drive to move away from the culture of entitlement to one based on performance and attitude. This strategy has resulted in some personnel movement and has influenced some appointments and promotions however it has also consolidated our position as Africa's Best meetings venue.

HR has as its key objectives for the following activities:

- Appointment of additional Affirmative Action management echelon provided suitable candidates can be recruited;
- Evaluation of merits of outsourcing recruitment and selection;
- Assessment of all potential candidates and existing staff in terms of attitude and technical competence;
- Photographs of all new appointments to be communicated to all personnel by way of induction;
- Induction now forms part of the mandatory sign-on and probationary period for all new personnel;
- Key job descriptions are to be written up and signed off
- Key employee positions to be addressed as a priority

### Recruitment and Selection

- At current date the Centre operates at 80% of its personnel capacity, with 20% of the available positions awaiting recruitment and selection.

### Industrial Relations

Personnel working at ICC Durban can become members of SACCAWU, the trade union. While the union is under-represented in terms of our Recognition Agreement, Management has chosen to continue to engage with it in terms of a wide range of HR issues and, illustratively, was challenged by the Union regarding its adherence to the Employment Equity Act. The key HR challenge is to ensure that the Centre achieves full compliance with national statutory labour legislation whilst still maintaining its leading

edge status. At present date, the Centre has a focus on achieving recruitment targets for black, female candidates.

Key issues pertaining to IR include the introduction of communications mechanisms such as forums and engagements with line management in order to share mission critical information at all levels.

### Safety, Health and Environment (SHE)

In terms of SHE issues, the HR department has as its key objective ensuring that all internal policies are aligned to meet statutory requirements, and that these are capable of promoting a safe working environment, free from accidents and injuries caused by negligence or unsafe behaviour.

### Personnel Administration

HR has oversight responsibility for personnel administration and to this end has identified as its primary objectives, the ensuring of personnel benefits comply with general company policies and legislative/statutory standards; that all stakeholders (personnel) have access to a comprehensive information system on the regulation of personnel administration; and that all employee records are up to date.

### Organisational Development and Training

HR views its responsibilities in terms of organisational development and training as comprising three key areas of focus:

**Transformation:** the objective is to inculcate among ICC Durban personnel a culture that is flexible and responsive to react, adapt and change to external stimuli.

**Leadership and development:** the primary objective is to institute within ICC Durban a leadership and development programme and a culture of change management that ensures that sufficient and suitably qualified and capable new leaders emerge from within the ranks of the company.

**Training and development:** HR seeks to create a sustainable skills pool in order to overcome personnel churn and labour turnover, specifically to address the skills scarcity within the South African meetings industry.

The HR department seeks to undertake regular benchmarking against competitor convention centres and the general sentiment at present date is that the company's offering to personnel is in line with that on offer from Sandton and Cape Town centres.

The HR department has set as an objective the profiling of ICC Durban as an 'employer of choice', promoting a work environment that attracts and retains the best personnel for the work required. Being a relatively young company with limited (low) employee churn creates perceptions of 'glass ceilings' for junior and middle management and these concerns will need to be properly addressed in time.

Annexure N

# Report of the auditor-general on the consolidated annual financial statements to the councillor's of the ethekwini municipality for the year ended 30 june 2006

## 1. AUDIT ASSIGNMENT

The financial statements and consolidated financial statements as set out on pages 1 to 178, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), and section 126(3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

## 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

## 3. BASIS OF ACCOUNTING

The municipality and the municipal entities are required to prepare financial statements and consolidated financial statements on the basis of accounting determined by the National Treasury, as described in the accounting policy note 1 to the financial statements.

## 4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of eThekweni and the group at 30 June 2006 and the results of its/their operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in the accounting policy note 1 to the financial statements, and in the manner required by the MFMA.



## 5. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 5.1 Financial management

Although financial and internal control systems were developed and documented, they were not consistently implemented and maintained throughout the year. The following serve as examples of discrepancies noted during the audit:

- Owing mainly to a lack of regular reconciliations and independent reviews, assets with a negative book value totaling R12,9 million were included in the asset register. In addition, accumulated depreciation were overstated and fixed assets understated by R3,3 million.
- The council did not enforce all contractual requirements relating to housing agreements. As a result, four housing loans totalling R30,6 million were not recovered in terms of the loan agreements.
- Minutes of procurement meetings were not always signed by the chairperson and in some cases found to be incomplete. In addition, a formal process was not in place to ensure that officials attending the procurement meetings declare possible conflict of interest which is contrary to implemented policy.
- Regular reconciliations between the VAT returns and the transactions processed through the general ledger system were not performed during the year.
- Council did not have proper controls and procedures in place to ensure that all required legal representation from council's attorneys are made available to confirm the contingent liabilities and/or assets disclosed.

### 5.2 Non-compliance with laws and regulations

5.2.1 In terms of the section 10 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) an employer may not require or permit an employee to, inter alia, work overtime except in accordance with an agreement and to work more than 10 hours overtime a week. However, due to the lack of an adequate policy, certain employees worked overtime exceeding 10 hours per week.

5.2.2 In terms of section 6(2)(c) of the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000) the administration of the municipality must take measures to prevent corruption. Although certain measures were implemented in this regard the following shortcomings were noted:

- An approved fraud prevention policy and plan did not exist.
- An approved strategic plan did not exist to ensure that the ombudsperson and investigations unit were functioning efficiently and effectively.
- Regular feedback was not provided to the audit committee on progress made with investigations.
- For most of the year the position of head of the ombudsperson and investigations unit were vacant. At year-end the vacancy level of the unit was at 74% (20 of 27 posts).

### 5.3 Computer control environment

A follow-up information systems audit of the general and application controls surrounding the information systems environment of the municipality was completed for the 2005-06 financial year. It was established that although some progress had been made in addressing the shortcomings identified during the previous audit, certain control weaknesses that could compromise the confidentiality, integrity and availability of data were still present in the control environment as a whole. These significant control weaknesses related to inadequately configured logical access to the information systems, allocation of excessive system rights to users, application process controls that did not support the validity, accuracy and completeness of transaction data, inadequate separation of incompatible responsibilities and inadequate monitoring of critical security processes. Furthermore, the disaster recovery plan did not cover all the critical systems of the municipality.

The shortcomings identified could be attributed to delayed implementation of the policy framework necessary for the effective governance of the information systems environment as well as a shortage of staff.

In their management comments the municipality indicated that corrective actions and initiatives were in progress and would be implemented subsequent to the completion of the audit to address the reported control weaknesses.

### 5.4 Late finalisation of the audit report

In terms of section 126(3)(b) of the MFMA the Auditor-General is required to submit the audit report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented to ensure consistency in the manner in which material audit findings are reported, I have delayed the finalisation of the audit report to the date reflected on the audit report.

## 6. APPRECIATION

The assistance rendered by the staff of the eThekweni Municipality during the audit is sincerely appreciated.

*Auditor-General*

Auditor-General (South Africa)

Pretoria

15 February 2006



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

# Annexure O

## REPORT OF THE AUDIT COMMITTEE

The eThekweni Municipality has an Audit Committee as prescribed by the Municipal Finance Management Act, Chapter 14, Item 166. The Audit Committee which met seven (7) times for the year ended 30 June 2006, consists of three (3) independent members. The Committee also serves as Audit Committee for the Municipal Entities of Durban Marine Theme Park (Ushaka Marine World) and the International Convention Centre (ICC).

The following functions were carried out by the Audit Committee, as prescribed by the Municipal Finance Management Act, in its meetings for the year ended 30<sup>th</sup> June 2006.

Advised on matters relating to:

- Internal financial control and internal audits;
- Risk Management
- Accounting policies
- Adequacy, reliability and accuracy of financial reporting and information
- Performance Management
- Effective governance
- Compliance with the Municipal Finance Management Act, the Annual Division of Revenue Act, and any other applicable legislation;
- Performance evaluation, and
- Any other issues referred to it by the municipality

The Audit Committee has reviewed the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its effectiveness, and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

The quarterly performance reports and Performance Management System of the Municipality and its Entity's were also reviewed by the committee. Based on this review, we noted the following matters:

Lack of management reviews

Shortcomings in the reconciliation of various processes

Inadequate procedures in certain areas

Inadequate document control

Non-compliance with procedures

We have however noted that there are systems in place which are being enhanced, to monitor both Organisational and Individual Performance.

In addition, various recommendations, as per Section 121 (3)(j) of the Municipal Finance Management Act No. 56 of 2003 have been made during the financial year, including those which have been recorded in the minutes to the Audit Committee.

Following our review of the Consolidated Annual Financial Statements for the year ended 30<sup>th</sup> June 2006, it is our opinion that, in all material respects, the Municipality complies with the relevant provisions of the Municipal Finance Management Act No. 56 of 2003 (MFMA), the Generally Accepted Municipal Accounting Practice (GAMAP), the Generally Recognised Accounting Practice (GRAP) and the Generally Accepted Accounting Practice (GAAP) standards, where no approved GAMAP/GRAP standards exist.



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BS Khuzwayo

Chairperson: eThekweni Audit Committee

# Annexure P

## AUDIT COMMITTEE CHARTER

### PURPOSE

- o To advise the City Manager in fulfilling his oversight responsibilities for the financial reporting process, the systems of internal control, the audit process, and the Council's process for monitoring compliance with approved procedures and systems.
- o To advise the Executive Committee of the Council on matters relating to internal control and performance as set out in section 166. of the Municipal Finance Management Act.

### AUTHORITY

- o The Head of Internal Audit and Performance Management (HIAPM) has authority to conduct or authorise audits into matters within his scope of responsibility.

### COMPOSITION

The Audit Committee will consist of four external members who have appropriate experience.

The Executive Committee will appoint members and the Audit Committee will elect its own Committee Chair.

Ex Officio members will be the City Manager, Head Audit and Performance Management, Ombudsperson and Head : Investigations and the Auditor General. The Ex-Officio members shall be advisory and non voting.

### MEETINGS

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. One such meeting shall be held prior to the release of the financial statements and should consider the report of the Auditor General. The Committee may invite members of Management, auditors, or others to attend meetings and provide pertinent information as necessary. The Committee will hold private meetings with the HIAPM or Ombudsperson when required. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing material. Minutes will be prepared and circulated to the Executive Committee. The quorum of the Committee shall be three members.

### RESPONSIBILITIES

The Committee will carry out the following responsibilities.

### FINANCIAL STATEMENTS

- o Review interim financial reports with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.

## INTERNAL CONTROL

- o Consider the effectiveness of the Council's internal control over annual and interim financial reporting, including information technology security and control.
- o Understand the scope of internal and external auditor's review of internal control, and obtain reports on significant findings with specific reference to the safeguarding of assets, accounting records and the maintenance of effective internal control systems.

## INTERNAL AUDIT

- Review with Management and the (HIAPM) the charter, plans, activities, staffing organisational structure of the internal audit activity.
- Ensure there are no unjustified restrictions or limitations.
- Review the effectiveness of the internal audit activity, including compliance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with HIAPM to discuss any matters that the Committee or Auditors believe should be discussed privately.

## EXTERNAL AUDIT

- On a regular basis, meet separately with the External Auditors to discuss any matters that the Committee or External Audit believes should be discussed privately.

## COMPLIANCE

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council personnel and for monitoring compliance therewith.
- Obtain regular updates from Management and Council Legal counsel regarding compliance matters.

## OTHER RESPONSIBILITIES

- Perform other activities related to this charter as requested by Management.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Executive Committee approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's performance on a regular basis.

## REQUIREMENTS OF AUDIT COMMITTEE

Section 14(4) (a) (iii) of the Local Government Municipal Planning and Performance Management Regulations requires that the Audit Committee will report to the Municipal Council at least twice a year.

## MUNICIPAL FINANCE MANAGEMENT ACT REQUIREMENTS FOR THE AUDIT COMMITTEE

### AUDIT COMMITTEES

166. (1) Each Municipality and each municipal entity must have an audit committee, subject to subsection (6).

(2) An audit committee is an independent advisory body which must -

(a) 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 -

- (i) internal financial control and internal audits;
- (ii) risk management;
- (iii) accounting policies;
- (iv) the adequacy, reliability and accuracy of financial reporting and information;
- (v) performance management;
- (vi) effective governance;
- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- (viii) performance evaluation; and
- (ix) any other issues referred to it by the municipality or municipal entity;

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) respond to the council on any issues raised by the Auditor-General in the audit report;

(d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and

(e) perform such other functions as may be prescribed.

(3) In performing its functions, an audit committee -

(a) has access to the financial records and other relevant information of the municipality or municipal entity; and

(e) must liaise with -

(i) the internal audit unit of the municipality; and



- (ii) the person designated by the Auditor-General to audit the financial statements of the municipality or municipal entity.
- (4) An Audit committee must
  - (a) consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity, as the case may be; and
  - (b) meet as often as is required to perform its functions, but at least four times a year.
- (5) The members of an audit committee must be appointed by the council of the municipality or, in the case of a municipal entity, by the council of the parent municipality. One of the members who is not in the employ of the municipality or municipal entity, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.
- (6) A single audit committee may be established for-
  - (a) a district municipality and the local municipalities within that district municipality;  
and
  - (b) a municipality and municipal entities under its sole control.

#### GENERAL

- The Councils Executive Committee has authority to make appointments and determine such remuneration as may be necessary to ensure that the Audit Committee is successfully established.
- In fulfilling its role and in carrying out its duties and responsibilities, the Audit Committee may conduct such investigations and seek from any employee or Councillor such information as it considers necessary to enable it to fulfill its functions, and all employees and Councillors shall be required to co-operate with any request made by the Audit Committee.
- To appraise and recommend improvements in financial control and accounting systems as well as to assess extraordinary items or abnormal disclosures with specific reference to :-
  - the annual financial statements;
  - accounting policies and practices;
  - specific strategic reports;
  - external Audit procedure;
  - the Annual External Audit report before submission to the relevant committee;
  - all Internal Audit activity;
  - compliance with law, audit and accounting standards; and
  - Reports of the Head : Investigations/Ombudsperson.
- Audit Committee members do not have any authority to make any decisions on behalf of the Council.

APPROVED  
CITY MANAGER

