



Service Delivery through Good Governance



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Vision

“By 2009 Ugu will have developed sustainable agriculture, tourism and commerce with balanced infrastructure and social amenities. Its people will be empowered through education, skills development, good health and safety. There will be sufficient water services and land for development, investors and settlement. The imbalances of the past, gender equity, and the needs of the youth, the elderly and people with disabilities will have been seriously addressed.”

Mission

“Ugu District Municipality, a local authority founded on the cherished tenets of democracy, is fully committed to the attainment of the district’s vision by the year 2009. To this end, we will enhance our performance and work ethic to reach world-class standards, by always placing emphasis on customer satisfaction and total quality management of all resources at our disposal.”



Chapter One

Introduction and overview

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Mayor's Foreword

It is a matter of great pride and satisfaction that I present this 2006/2007 Annual Report, a report that reflects the total commitment of our collective work as Council.

During the period under review, we took our commitment of providing a better life for our people to new heights. We demonstrated in practical terms what this commitment means to us and it is no wonder that we won the best organised district award, at the Vuna Awards provincially, as well as emerging as runners up at the national level. We are humbled by these accolades. We are, however, mindful of the challenges that still lie ahead of us. We remain focused on our key service delivery and development performance areas and for us, the work continues.

We are also very humbled by the unqualified audit report that the Auditor General has given us yet again. Indeed, we record our appreciation to the collective political and administrative leadership of our district for achieving this success.

I must place on record my sincere appreciation to my fellow councillors, our officials and staff, our NGO and private sector stakeholders and, of course, our community as a whole, for their cooperation and partnership in ensuring that we continuously raise the bar with regards to service delivery and development. Ours is a service of the people and we remain committed to the vision of improving the lives of our people for the better.

I thank you.

**CLLR SB CELE
MAYOR**





Municipal Manager's Statement

For the Ugu District Municipality, the period under review has been a change of strategy in line with the new development strategies following the local government elections in 2006 and the new Integrated Development Plan (IDP) (approved in June 2006) for the current term of the elected Council.

I am very pleased that the report we have collectively compiled on the service delivery activities for the year 2006/2007 is packaged in accordance with the five national Key Performance Areas for local government in South Africa, recording clear achievements for the year and the reports of the Audit Committee and the Auditor-General.

It is very pleasing to again mention in a reporting form that the municipality has received recognition as being the best performing district municipality in the Province of KwaZulu-Natal through the Municipal Vuna Awards competition held at the end of 2007 and went on to get a first runner-up position at national level, thereby being the second best performing district municipality in the country. Needless to say, this is one of the major highlights of the year under review. I am also confident that Ugu is destined to assume the first position in the country! This does not mean there are no challenges we continue to face, but recognises the good work we all do in solving our service delivery challenges.

The report takes a serious consideration of the work done against the reality of having to work very hard in achieving the national service delivery targets outlined by the President of the Republic, especially in relation to water and sanitation provision; we are trying hard to live up to the challenge. We must confess that the work ahead is much harder than the progress we have already made to date. Nevertheless, with the support and guidance of the political leadership of the municipality, the community of Ugu, the national and provincial spheres of government, the private sector within Ugu and beyond, as well as our civil society, we are destined to achieve what we have set for ourselves.

I am very pleased to present this report to the Municipal Council and all roleplayers with an Unqualified Audit Opinion by the Auditor-General, this is humbling and encouraging. For this I must thank the entire political leadership, more so His Worship the Mayor and his Executive Committee for the sterling guidance so well exercised over the administration. Management and the entire administration deserve my recognition for the acceptable work done during the year under review.



We invite everybody to read our work for the year under review, arranged on the five Key Performance Areas, being:

- Basic Service Delivery and Infrastructure;
- Local Economic Development;
- Financial Viability and Management;
- Institutional Development and Management; and
- Good Governance and Public Participation

The Municipal Council has established an Oversight Committee which shall review this report on behalf of the Municipal Council in order to determine whether the activities recorded in this report are a true reflection of the work carried out during the year. All community members and their organisations are invited to make comments and representations on the Annual Report until the 7 March 2008.

In conclusion, I would like to express my sincere thanks to God Almighty for guiding us during the year. I also thank all roleplayers for the guidance and direction during the year and at the time of compiling this report we always enjoyed a relationship based on mutual respect and cooperation to ensure that the public needs are served.

I thank you. Enjoy the reading!

KHAYO E MPUNGOSE
MUNICIPAL MANAGER



Audit Committee Chairperson's Report



We are pleased to present our report for the financial year ended 30 June 2007.

1. Audit Committee Members and Attendance

In terms of Section 166(4) of the Municipal Finance Management Act (No 56 of 2003), hereafter referred to as the MFMA and the

Ugu District Municipality's Audit Committee Charter, the Audit Committee consists of at least five members with the majority being external independent members. No councillor may be a member of the Audit Committee.

The Audit Committee consists of the following members listed hereunder and meets at least four times per annum as per its approved charter. During the year under review, the mandatory quarterly meetings and one special meeting were held.

Member	Number of Meetings attended
Mr Anil Ramnath (Chairperson) ^A	5/5
Mr Neil Read ^{1,A}	4/5
Mr David Parry ^A	5/5
Mr Silas Hlophe ^{2,A}	0/0
Mr Khayo Mpungose ^B	2/5
Mr Nathi Ndelu ^C	5/5

- 1 Term expired on the 31st March 2007
- 2 Appointed on the 1st May 2007
- A External member
- B Municipal Manager
- C Deputy Municipal Manager

2. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2)(b) of the MFMA. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its charter is that it is responsible for, among other things, the following:

Auditors and External Audit

Discuss and review with external auditors, *inter alia*:

- the nature and scope of the audit function;
- agreeing to the timing and nature of reports from the external auditors;
- considering any problems identified in the going concern of the municipality;
- review the Auditor-General's management letter and management response; and
- meeting the Auditor-General at least annually to ensure that there are no unresolved issues of concern.

Annual Financial Statements

- Review significant adjustments resulting from the audit;
- review effectiveness of the internal audit;
- review risk areas of the operations to be covered in the scope of the internal and external audits; and
- review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.



Internal Control and Internal Audit

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

- evaluating performance, independence and effectiveness of internal audit and external service providers through internal audit;
- reviewing the effectiveness of the internal controls and to consider the most appropriate system for the effective operation of its business; and
- initiating investigations within its scope, e.g. employee fraud, misconduct or conflict of interest.

Ethics

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

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

Compliance

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

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

3. The Effectiveness of Internal Controls

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA and the King II Report on Corporate Governance requirements, internal audit provides the Audit Committee

and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was effective.

The Audit Committee is satisfied with the internal controls in place and overall adherence to those controls.

4. The Quality in Year Management and Monthly/Quarterly Report Submitted in Terms of the MFMA

The Audit Committee has not received and reviewed certain performance management reports and is unable to comment on the content and quality of these monthly and quarterly reports.

Except for the abovementioned reports, the Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer and management during the year under review.

5. Internal Audit Function

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

- Asset Management Review
- Financial Statement Close Process
- Order to Cash
- MFMA Compliance Review
- Follow up Reviews



- Performance Management System Review 1 & 2 (Six-monthly Reviews)

The Audit Committee is satisfied with the performance of the internal audit function and reports that all the projects have been completed by the end of the financial year.

6. Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Officer the audited Annual Financial Statements to be included in the annual report;
- reviewed the Auditor-General's management letter and management responses;
- reviewed the accounting policies and practices; and
- evaluated the audited Annual Financial Statements to be included in the Annual Report and, based on the information provided to the Audit Committee, considered that the said statements comply in all material respects with the requirements of the MFMA and Treasury Regulations as well as South African Statements of Generally Accepted Accounting Practice (GAAP) and certain statements of Generally Recognised Accounting Practice (GRAP) and statements of Generally Accepted Municipal Accounting Practice (GAMAP).

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

7. Shared Services

The District Municipality has continued operating as principal of the Shared Services, especially Internal Audit. We proudly assert that the Ugu District Internal Audit Shared Services is being used as a model for other Shared Services around the country.

Ezinqoleni Municipality

During the year the District Municipality assisted the Ezinqoleni Municipality which was in financial distress due to mismanagement. The matter is serious enough to question the Ezinqoleni Municipality's ability to continue as a going concern.

At this time, the matter has not been resolved and no financial plan is in place for Ezinqoleni Municipality's rehabilitation. A team of consultants has been appointed and a report is anticipated shortly whereupon an appropriate action plan will be implemented.

8. Conclusion

I would like to thank my colleagues for making themselves available to serve on this committee and for the significant contribution that they have made.

As an Audit Committee, we rely heavily on the Manager: Internal Audit and his staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Ugu. We are indebted to them for their efficient service and assistance.

We are also grateful to the Chief Financial Officer, the Auditor-General (both of whom were always on hand to provide advice and guidance), and all other invitees to our meetings, including the external service providers, all of whom provided invaluable information to the Committee.

MR ANIL RAMNATH
CHAIRPERSON: UGU DISTRICT MUNICIPALITY
AUDIT COMMITTEE

Date: 3 March 2008



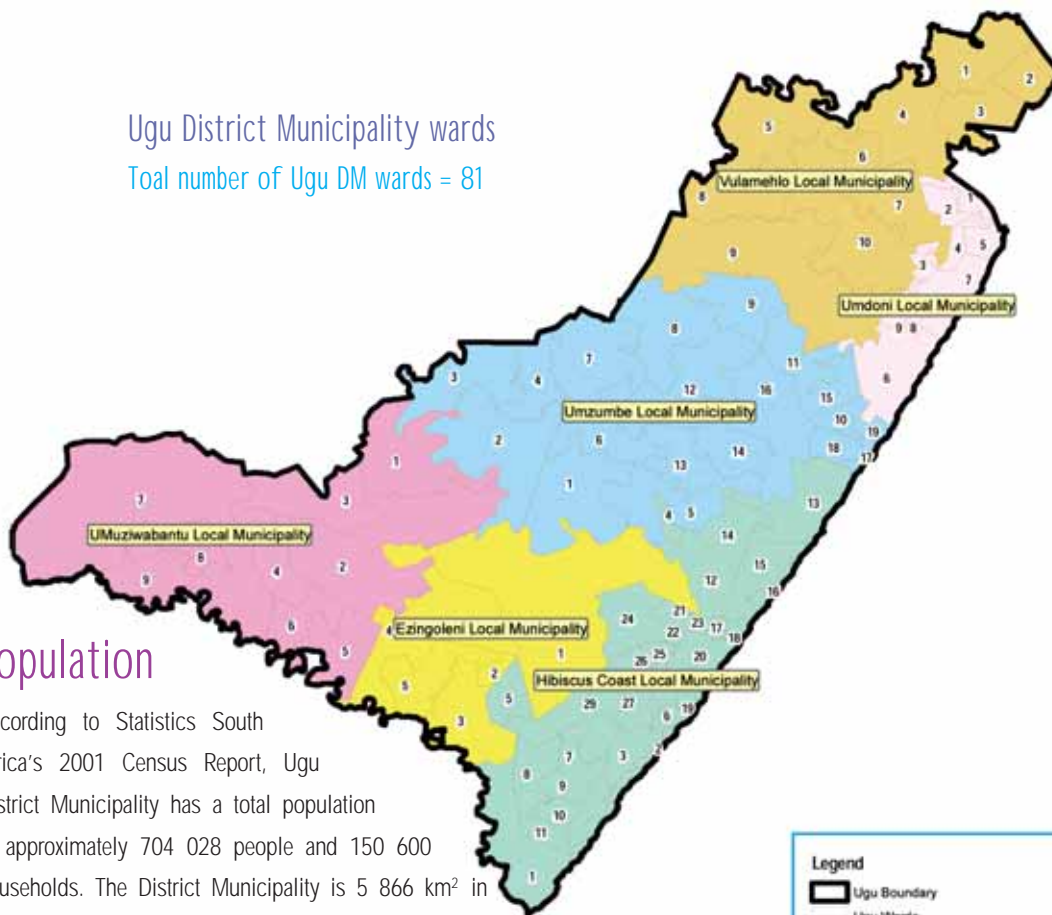
Overview of the Municipality

Profile of the District

The name Ugu is the isiZulu word for "coast". Ugu District Municipality is one of the ten district municipalities of KwaZulu-Natal, located at the most southern tip of the province's coastline, covering 112 km along the Indian Ocean.

It is bordered by the Eastern Cape Province on the south, Indian Ocean on the east, Sisonke and Umgungundlovu on the west and eThekweni on the north. It comprises six local municipalities, namely: Ezingoleni, Umuziwabantu, Hibiscus Coast, Umdoni, Umzumbe and Vulamehlo.

Ugu District Municipality wards
Total number of Ugu DM wards = 81



Population

According to Statistics South Africa's 2001 Census Report, Ugu District Municipality has a total population of approximately 704 028 people and 150 600 households. The District Municipality is 5 866 km² in size. The statistics show that approximately 16% of the population is located within the urban coastal strip, which is 4-10km wide. The balance of 84% resides in the rural areas, which are characterised by a low density and dispersed settlement pattern. The demographic profile calls for initiatives targeting women-headed households. An important aspect of this profile is that it reflects a cohort that is more vulnerable to HIV/AIDS, crime and violence. The population distribution by race is 89% African, 1% Coloured, 4% Asian and 6% White.





Table 1.1 Total number of voters

Municipality	Number of Voters
Ugu	251 569
Umdoni	31 490
Ezinqoleni	19 858
Hibiscus Coast	100 838
Umuziwabantu	32 457
Umzumbe	65 135
Vulamehlo	34 248

Age Breakdown

According to statistics, only 42 241 people are above 65 years of age, while 159 814 are between 35 to 64 years of age, 239 369 are between 15 and 34 years of age, and 360 490 people in the district as a whole are younger than 14 years.

Skills Profile

Analysing further literacy and skills, in 2001 approximately 20% of people in Ugu had not received any schooling, which

is higher than the average for KwaZulu-Natal. A further 38% had attended primary school but did not complete this level of education. In other words, nearly three out of every five people in Ugu have no or incomplete primary school education. There are significant differences between the municipalities, with less than 8% of the population in Vulamehlo, Umzumbe, Umuziwabantu and Ezinqoleni having matric or higher level of education. In contrast, 16% of the population in Hibiscus Coast and 20% of the population in Umdoni has a matric or a higher level of education. This difference further demonstrates the urban/rural divide characterising this district.

Table 1.2 Education levels

Education levels 2005	Black	White	Coloured	Asian	Total
No schooling	50 089	118	92	990	51 289
Grade 0-2	17 177	4	29	115	17 324
Grade 3-6	89 823	150	250	1 766	91 989
Grade 7-9	105 022	2 217	1 080	5 198	113 518
Grade 10-11	60 833	6 010	812	4 654	72 308
Less than matric & certificate/diploma	1 108	816	32	160	2 116
Matric only	35 614	16 349	1 614	10 578	64 154
Matric & certificate	2 271	2 147	38	238	4 694
Matric & diploma	5 353	2 595	73	1 186	9 208
Matric & Bachelors degree	869	1 634	0	836	3 339
Matric & Bachelors & honours	33	310	0	83	426
Matric & Bachelors & diploma	122	267	0	153	542
Matric & Masters degree	42	336	0	166	545
Matric & Doctorate degree	18	105	0	47	171
Matric & Other qualification	2 919	2 261	0	304	5 484
					437 107



From Table 1.2 above one can note that about 11.7% of the population has no schooling and that 97.7% are Black, 0.2% are Coloured and White and 1.9% are Asian. Less than 1% of the population has a Bachelors degree or higher.

Skills Distribution/Categorisation

In terms of skills distribution, the largest category is 'Elementary occupations', which encompasses 33.9% of the skills distribution in the district. This is followed by 'Service

workers, shop and market sales workers'; and 'Technicians and associate professionals', with 10.4 and 9.6% of the skills distribution respectively. There are low levels of 'higher skills', such as managerial and technical skills, within the Ugu district, as shown by the fact that 'Skilled agricultural and fishery workers'; 'Legislators, senior officials and managers'; and 'Professionals' encompass only 4.3%, 4.2% and 3.9% of the skills distribution respectively.

Table 1.3 Skills distribution in the Ugu District

Skills Distribution in the Ugu District	Number	%
Legislators, senior officials and managers	3 592	4.2
Professionals	3 341	3.9
Technicians and associate professionals	8 263	9.6
Clerks	6 519	7.6
Service workers, shop and market sales workers	8 928	10.4
Skilled agricultural and fishery workers	3 726	4.3
Craft and related trades workers	8 012	9.3
Plant and machine operators and assemblers	7 059	8.2
Elementary occupations	29 126	33.9
Undetermined	7 390	8.6
Total	85 956	100

The gap between the available and required skills

It is appreciated that there is a variety of skills available to the economically active population of Ugu which helps to sustain the economy. It is also equally important to acknowledge the gap that exists between the currently available skills and the skills that some portions of the job market and local economy require. All forms of training, whether from the academic sphere or on project basis, should address the need of the economic pillars of the municipality. For instance, agriculture, nature conservation and tourism skills are being offered on a considerably extended basis.

However, according to the sectors that provide information to the South Coast Chamber of Business, there are some skills that are virtually unavailable within the district. Even if the candidates have received training of such skills, they still require further extensive on-job training upon obtaining employment, probably due to inadequate or lack of experience in the same fields of expertise.

Academic training

The Esayidi FET College has an Academic Research Division that conducts research on the skills requirements of the population before opening a satellite campus in a particular locality. The research, as well as the direction



they receive from the Department of Education, informs the skills that they offer on their campuses. The College also occasionally receives requests and funding from the motor industry like Toyota and (mostly) Ford for learnerships in particular technical skills that are in demand in the industry. According to Esayidi FET College, the catering services field has been found to be over-occupied to a point of even being almost saturated. Part of the reason is that the participants in the industry are also the fully and formally employed graduates that seek to improve their personal finances over and above their monthly salaries.

This seems to recommend therefore that the district should consider undertaking a skills development plan that will look at all sectors of the economy.

Skills acquired on project basis

There are quite a number of interventions in the skills *status quo* of the district. This includes interventions by the Expanded Public Works Programme (EPWP) projects implemented by different government departments as well as training by the Department of Labour. The EPWP requires that the beneficiaries be trained while temporarily employed in the project and earning a salary. Thus, a considerably large population of Ugu within the economically active population receives training on a project basis. The skills that they receive are aimed at enabling them to open their own businesses of a more or less similar nature to the project, to be better employable elsewhere after the project cycle and with a few remaining permanent in their positions. After the skills audit has been conducted per project, the training that is offered to the beneficiaries is structured according to need and level of literacy. Over and above technical training, which is mostly accredited, the beneficiaries also receive non-accredited training in other areas like social skills, business management, office administration, supply chain management, computer literacy, conflict resolution, HIV/AIDS, First Aid, etc.

The Department of Labour also offers training to the Port Shepstone prisoners who are on parole as part of the rehabilitation programme of the Department of Correctional Services. According to the Department of Labour the textile industry (sewing) has been found to be saturated and it is almost uneconomical to continue with training in it, and they resolved to offering training in other skills that would equally benefit the beneficiaries in offering them better opportunities in the job market. The construction industry is proving to offer more opportunities to the beneficiaries. For example, the housing project would request training from the Department of Labour for the constructors who would be employed in a particular housing project that would commence in a few months time. On the starting date of the project, the trained prospective employees are often no longer available for employment in the same project as they have already been employed elsewhere after receiving training. Some discover business opportunities and lose the will to be employed again. This cycle has been observed over a long period of time in a number of projects. Although this implies a backlog in terms of delivery target for that particular project, it is a positive indication for skills development and better employability of the population.

Required intervention by the municipality

The information that is currently available is not sufficient to give a full picture of the skills required by the economy and those possessed by the population. Therefore the intervention by the municipality should be the implementation of a skills development plan that will assist with a full understanding of the broader scenario and the relevant steps to be taken.

Household Income

According to the information extracted from Census 2001, statistics show that 532 251 people have no income as compared to 18 236 that earn over R3 201 per month. In addition, there are only 16 142 people that earn between R1 601 and R3 200 per month, 20 265 people that earn between R801 and R1 600 per month, and 117 142 people that earn under R800 per month.



Council and Executive Structure



Cllr SB Cele – Mayor



Cllr RR Pillay – Speaker



Cllr NR Bhengu – Deputy Mayor



Cllr VL Ntanza – Exco



Cllr Y Nair – Exco



Cllr Dr SG Nyawuza – Exco



Cllr MB Khawula – Exco



Cllr T Cele



Cllr BR Duma



Cllr CA Gamble



Cllr NH Gumede



Cllr AC Human



Cllr BT Lubanyana



*Cllr MA Lushaba
(deceased)*



Cllr S Mahomed



Cllr NF Maphumulo



Cllr MG Mchunu



Cllr NA Mhlongo



Cllr WM Memela



Cllr E Moosa Bux



Cllr BO Ngcobo



Cllr MR Ngcobo



Cllr SO Njongo



Cllr M Pillay



Cllr RM Ramdial



Cllr FB Shezi



Cllr BN Shozi



Cllr NF Shusha



Cllr D Snashall



Cllr MG Sonwabo



Cllr L Steyn



*Cllr JP Janse
van Vuuren*



Cllr SM Zuma



Cllr ZJ Zwane



Governance

The Council is the legislative body, which is empowered to take decisions *inter alia* regarding by-laws, IDP and the budget. The Council consists of 34 Councillors, 7 of whom are full-time. Of these Councillors, 32% are

women. With regard to political representation, the African National Congress (ANC) has 22 representatives, the Inkatha Freedom Party (IFP) has 10 representatives and the Democratic Alliance (DA) has 2 representatives.

Table 1.4 Party and Gender Representation at Council

Party	Councillors	Female	Male
African National Congress	22	9	13
Inkatha Freedom Party	10	2	8
Democratic Alliance	2	-	2
TOTAL	34	11	23

The Speaker

The Speaker is the Chairperson of Council elected in terms of Section 36 of the Municipal Structures Act 117 of 1998.

The functions of the Speaker as assigned by Section 37 of the Municipal Structures Act are:

- Presiding at meetings of the Council
- Performing the duties and exercising any powers delegated to the Speaker in terms of Section 32 of the Structures Act
- Ensuring that Council meets at least once every month unless otherwise resolved by Council
- Maintaining order during meetings

- Ensuring compliance in the Council and Council Committees with the Code of Conduct set out in Schedule 1 of the Systems Act (Schedule 5 of the Rules)
- Ensuring that Council meetings are conducted in accordance with the Rules of the Council.
- Assessing Councillors' needs and arranging suitable training in order to develop political governance capability and improving the skills of individual Councillors.

Meetings of the Council are open to the public. The schedule of meetings is advertised in local newspapers to encourage attendance. Attendance of Council meetings during the 2006/2007 financial year is enumerated over the page:

Table 1.5 Attendance of Council meetings

Council Meetings			
Meeting	Present	Absent	Percentage
1	29	5	85
2	29	5	85
3	23	11	68
4	24	10	71
5	32	2	94
6	30	4	88
7	27	7	79
8	25	8	74
9	34	0	100
10	27	7	76
11	26	6	76
12	25	8	74

Committees of Council

The Council of Ugu District Municipality is supported by a Committee System, with Portfolio Committees.

The Municipality currently has four multi-party Portfolio Committees, namely; the Water and Sanitation Committee; Finance, Budget Control and Monitoring Committee; the Planning, Tourism and Economic Development Committee; and the Corporate Services, Human Resources, Health and Safety Committee. The aforementioned committees assist the Executive Committee in policy development and monitoring to accelerate service delivery, as well as the oversight of strategic programmes and projects.

Executive Committee

Mayor SB Cele (Chairperson)

Members: Cllr NR Bhengu (Deputy Mayor), Cllr MB Khawula, Cllr Y Nair, Cllr VL Ntanza, Cllr Dr SG Nyawuza, Cllr RR Pillay (Ex-Officio)



The Executive Committee has delegated plenary powers to exercise any of the powers, duties and functions of the Council excluding those plenary powers expressly delegated to other Standing Committees and those powers set out hereunder which are wholly resolved to the Ugu District Municipal Council:

- the approval of the budget;
- the framing and approval of estimates;
- the assessment and fixing of rates and granting of exemptions and rebates of rates;
- the expropriation of, or the temporary taking of, the right to use immovable property;
- the approval of tariffs;
- the making of rules and bylaws under any law; and
- any power, duty or function which can be exercised



or performed by the Council only in accordance with a resolution passed by either two-thirds or a majority of the total number of Councillors of the Ugu District Municipal Council. Notwithstanding the foregoing, the Executive Committee is authorised to exercise any of those plenary powers delegated to other Standing Committees in circumstances where any matters from other Standing Committees are referred to the Executive Committee.

There are four portfolio committees:



Water & Sanitation Committee

Chaired by: Cllr Y Nair

Members: Cllr AC Human, Cllr MR Ngcobo, Cllr WM Memela,

Cllr MG Sonwabo, Cllr M Pillay, Cllr RR Pillay, Cllr SM Zuma

The Committee advises and recommends to the Executive Committee in respect of the following, amongst others:

- Applicable legislation relating to water and sanitation services;
- Feasibility studies and partnership models of water and sanitation projects;
- Approval of business plans;
- Tariff rates and appeals for reduction in water charges;
- Emergency water and drought programme;
- Status reports of water and sanitation projects;
- Provision of water to informal settlements;
- Water loss programme;
- Water awareness programmes and community participation, water quality/pollution;
- Free basic services;
- Development control (servitudes, new/existing development plans);
- Enforcement of bylaws; and
- Operation and maintenance plans for water sanitation.

Planning, Economic Development & Tourism Committee



Chaired by: Cllr NR Bhengu

Members: Cllr MB Khawula, Cllr NF Maphumulo, Cllr MG Mchunu, Cllr RM Ramdial, Cllr JP Janse van Vuuren, Cllr L Steyn, Cllr ZJ Zwane

The Committee advises and recommends to the Executive Committee in respect of the following, amongst others:

- All applicable legislation relating to tourism, social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, transport, land affairs, electrification, housing and public works,
- All aspects of local tourism and economic development;
- Activities of economic development and tourism; and
- All fiscal and other incentives designed to promote social and economic development.

Corporate Services, Human Resources, Health & Safety Committee



Chaired by: Cllr VL Ntanza

Members: Cllr CA Gamble, Cllr BT Lubanyana, Cllr NA Mhlongo, Cllr S Mahomed, Cllr SO Njongo, Cllr BN Shoji

The Committee advises and recommends to the Executive Committee in respect of the following, amongst others:

- All applicable legislation with regards to labour-related matters, employment equity, human resources, occupational health and safety, records management, environmental health, fire fighting services and disaster management;
- Various policies, strategies and plans in relation to labour relations, staff appointments, monitoring and evaluation of Key Performance Indicators



set in respect of human resources or corporate administration;

- Enforcing all criminal law the municipality is charged with administering;
- Organisational restructuring;
- Information and Communication Technology, including e-government;
- Facilities management;
- Shared services; and
- Business improvement.

Finance, Budget Control & Monitoring Committee



Chaired By: Cllr Dr SG Nyawuza

Members: Cllr NH Gumede, Cllr E Moosa Bux, Cllr SB Cele, Cllr T Cele, Cllr BR Duma, Cllr NF Shusha, Cllr BO Ngcobo, Cllr D Snashall, Cllr FB Shezi.

The Committee advises and recommends to the Executive Committee in respect of the following, amongst others:

- The budget and reports on economic issues, statistical information, agreements, financial reports, and reports on economic and policy statements;
- Increasing public awareness of the budget and Government financial and economic policies, and

encouraging informed debate on the budget;

- Government's policies as regards to budgets;
- District Municipality's domestic borrowing policies;
- Seeking advice from all three spheres of Government, on financial and other budget-related matters;
- Budget process in terms of legislation, thus ensuring that budgets are based on priorities and realistic income and expenditure;
- Processes that need to be put in place for formulating and monitoring the budget, throughout its cycle, that will enhance the District Municipality's role in appropriating and overseeing the budget, and make the budget process more responsive to stakeholders;
- Budget programmes that need to be given special emphasis during budget implementation;
- Ensuring that the budget of the District Municipality is used as a primary tool for implementing National and Provincial Policies; and
- Relevant legislation and future legislation (bills) with financial and budget implications.

The Committee performs any duties delegated to it by the Executive Committee.

Attendance at Portfolio Committee meetings during the 2006/2007 Financial Year is enumerated below:

Table 1.6 Attendance of Portfolio Committee meetings

Portfolio Committee	Meetings Scheduled	Meetings Held	% Attendance
Corporate Services, Human Resources, Health and Safety	10	7	77
Planning, Economic Development and Tourism	10	10	55
Finance, Budget Control and Monitoring	10	9	72
Water and Sanitation	10	9	81



Executive Summary

This annual report has been prepared in line with the National Treasury guidelines for annual reports. The report has five chapters, being: Introduction and Overview; Highlights and Challenges; Human Resources and other Organisation Management; Financial Statements and Related Financial Information; and Service Delivery Reporting. The chapters focus on the functional areas of the Municipality.

The strategic objectives of the functions are linked with the Integrated Development Plan priorities. The strategic priorities for the Ugu District Municipality are set out in the Integrated Development Plan, which is reviewed on an annual basis and substantially revised every five years as prescribed by the legislation.

Integrated Development Plan (IDP) and Performance Management System (PMS)

IDP and PMS Institutional Arrangements

The IDP/PMS function is institutionally located in the Office of the Municipal Manager with the Manager: Development Planning reporting to the Senior Manager: Corporate Strategy and Shared Services, who then reports to the Deputy Municipal Manager. The Development Planning section consists of five staff members: Manager: Development Planning, three Development Planners and Development Planning Administrator.

Overview of IDP Function

In the 2006/2007 financial year a five-year IDP of Ugu District Municipality adopted by Council in May 2002 remained a principal strategic plan for the Council, which guided and informed all planning and development in the Ugu Municipal Area until June 2007. In compliance with

legislation, Ugu District Council embarked on the process of reviewing its 2006/2007 IDP. The Development Planning section conducted the review process in-house with the exception of sector plans.

The IDP review 2006/2007 document therefore did not supersede the original IDP document that was adopted by Council in May 2002; rather it served as an amendment to certain sections of the document and should be read as a complementary document.

IDP Framework and Process Plan

In August 2006 Ugu District Municipality, pursuant to the relevant legislative directives, adopted its IDP framework to guide the district IDP Process Plan, and consequently the IDP Process Plans of the local municipalities within the area of its jurisdiction. Ugu also embarked on the joint Process Plan for the budget and the IDP process. This was in accordance with the Municipal Finance Management Act (Act No. 56 of 2003) (MFMA) which also requires the IDP and budget to be formulated with each other, thus necessitating this joint process plan. These were done in consultation with the local municipalities through IDP Managers Forums, IDP Representative Forums, Steering Committees, Exco and Councils of the respective municipalities during July and August 2006.

Preparing for the 2006/2007 IDP Review

In order to ensure certain minimum quality standards of the IDP review process, and a proper coordination between and within spheres of government, the IDP Process Plan included the following:

- A programme specifying the time frames for the different planning steps;
- Appropriate mechanisms, processes and procedures for consultation and participation of local communities, organs of state, traditional



authorities, and other role players in the IDP drafting process;

- An indication of the organisational arrangements for the IDP process;
- Binding plans and planning requirements, i.e. policy and legislation; and
- Mechanisms and procedures for vertical and horizontal alignment.

Focus of the 2006/2007 IDP Review Process:

- Provisional comments received from the DLGTA in the assessment of the 2005/2006 IDP Review documentation;
- Provisional comments from the outcome of the IDP Hearings conducted by National government;
- Comments received from IDP/Budget Roadshows;
- Areas requiring additional attention in terms of legislative requirements not addressed during the previous years of the IDP review process;
- Consideration, review and inclusion of any other relevant and new information;
- Shortcomings and weaknesses identified through self-assessment;
- The preparation and review of relevant sector plans and their alignment with the IDP;
- Implementation and review of the Performance Management System (PMS);
- Preparation and finalisation of the annual municipal budget in terms of the relevant legislation;
- Alignment of the various important municipal processes such as the IDP Review, Performance Management and Budget Process;
- Alignment of IDP to the National and Provincial planning and budgeting processes; and
- Continuous alignment of the local and district IDPs through the IDP forums and alignment meetings.

The links from local authorities to Provincial and National Departments occurred through the district:

- Via IDP Representative Forum on an ongoing basis;
- Through requests from departments and state-owned enterprises for information on plans and policies;
- Through informal meetings on a one-to-one basis; and
- Through IDP, PMS and budget alignment cycle jointly developed.

Assessment of Year 2006/2007 progress on IDP What needs to be changed:

- There were no regular IDP Forum meetings;
- The decisions taken were not implemented accordingly;
- There was no adherence to the time frames; and
- There was no platform for the local municipalities to raise issues of the LM's IDPs;

What worked:

- Functional IGR Structure;
- District IDP Representative Forum;
- Information dissemination through Ugu Development Planning section;
- Financial support (DLGTA & DPLG); and
- Good working relations between the district and the local municipalities.

Proposed Interventions:

- IDP Manager's Forum existence and monthly meetings before the IDP Representative Forum. These meetings should be scheduled to take place at least two weeks prior to the IDP Representative Forum;
- Capacity issue with other local municipalities attending is important;
- Explore the shared services-IDP section must be afforded admin support;
- Capacity building on IDP involvement;
- Issues on adherence will be submitted on Municipal Manager's structures;
- Submission or reports to Municipal Managers; and
- Agenda item to be submitted two weeks before or at IDP Managers Forum meeting.



Service Delivery and Budget Implementation Plan (SDBIP) and Performance Management System (PMS)

Beyond fulfilling legislative requirements, Ugu District Municipality developed a system constituted as the primary mechanism to monitor, review and improve the implementation of the Municipality's IDP and budget expenditure. The 2006/2007 Performance Management System and SDBIP framework set out:

- The requirements that the Performance Management System and SDBIP will need to fulfill;
- The requirements for effective implementation of the PMS and Service Delivery and Budget implementation Plan (SDBIP);
- The principles to be adhered to in their development and use;
- The process by which the system will work, and the delegation of responsibilities for different roles in the process; and
- A plan for the development and implementation of the systems.

The IDP and Budget were key documents in preparing the 2006/2007 SDBIP and PMS. This document was adopted by the Municipal Council as its combined SDBIP and performance management system for the 2006/2007 financial year.

The implementation of the combined SDBIP and PMS took the form of assessing performance at an organisational level, departmental level through combined SDBIP and PMS, and Section 57 Performance Agreements in line with the adopted PMS framework. The combined SDBIP and PMS was developed and aligned to the National Key Performance Areas (KPA) and consisted of Input KPI, Output KPI, Process KPI and Outcome KPI.

The Process of Managing Performance and Expenditure

The annual process of managing performance and expenditure through the developed document of Ugu District Municipality involved the following components:

- Combined SDBIP and PMS process plan
- Measurement, analysis and reporting
- Performance quarterly reviews
- Performance auditing.

Highlights and Challenges

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Highlights and Challenges

This chapter deals with services provided by the Municipality and reports on progress made. A narrative report together with a detailed table on the Key Performance Indicators and progress in achieving those is also included.



South Coast bulk pipeline

Water and Sanitation Performance Highlights

- Adoption by Council of business plans for accelerated backlog alleviation programmes;
- Over 60km of pipeline extensions for rural water supply undertaken through voluntary labour by communities under the Masakhane programme;
- 100% expenditure of MIG allocation for eradication of water and sanitation backlogs;
- 95% water quality compliance;
- 96% debt collection ratio achieved;
- Refurbishment of old urban sanitation infrastructure, utilising a R50 million DBSA loan;
- Commencement of the South Coast bulk pipeline project to the amount of R160 million. The pipeline runs from Inanda Dam to Scottburgh;
- Improvement of water quality in Harding; and
- 5 497 VIP toilets completed for rural sanitation.



Water projects



Level and standard of service

The District continued to provide service in terms of the basic requirements as stipulated by the Department of Water Affairs and Forestry.

The water quality is monitored on a regular basis and results are submitted to Council and DWAF. The water quality achieved was above 95% for all the treatment plants.

To meet future water demand, business plans for augmentation of infrastructure for the Bhoiboyi water scheme have been approved by Council and submitted

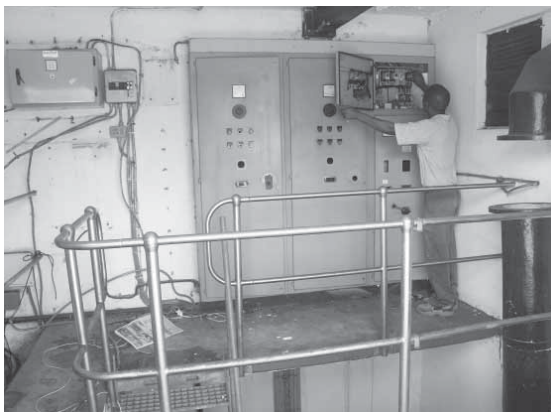
to possible funders. Umgeni Water has appointed Ugu as the implementing agent for the Mhlabatshane Dam in Umzumbi.

A new leakage management division has been established within the Water Services Department for effective implementation of water conservation programmes and revenue enhancement.

The refurbishment of sewage pumpstations and sewage treatment plants is ongoing and has resulted in improvement of the environment around the coast. As part of the sanitation master plan, business plans for waterborne projects were approved for implementation in selected areas.

In terms of provision for basic sanitation the rural areas still require approximately 77 000 VIP toilets. A total of 5 497 VIP toilets were provided in terms of MIG allocation for the year.

Water demand management continued to receive priority so as to reduce the losses to acceptable limits. The water loss figures are shown in the table over the page.



The Old Margate Pumpstation



Margate Pump Station



Table 2.1 Calculation Sheet for Water Audit: 2004/2005 to 2006/2007

Quarter	Water Production		Water Sales		% UAW
2004/2005	21 950 679	2 201 516	12 015 355	14 216 871	35.2
Jul-Sept 05	5 839 505	576 585	3 040 916	3 617 501	38.1
Oct-Dec 05	5 734 432	676 906	3 006 116	3 683 022	35.8
Jan-Mar 06	5 468 564	572 834	3 122 634	3 695 468	32.4
Apr-Jun 06	5 331 666	746 376	301 069	3 757 073	29.5
2005/2006	22 374 167	2 572 701	12 180 363	14 753 064	34.1
Jul-Sept 06	5 951 173	613 810	3 426 967	4 040 777	32.1
Oct-Dec 06	6 110 318	1 031 124	3 042 189	4 073 313	33.3
Jan-Mar 07	5 951 173	819 747	3 468 499	4 288 246	27.9
Apr-Jun 07	4 221	821 560	3 312 551	4 134 111	31.1
2006/2007	24 016 885	3 286 241	13 250 206	16 536 447	31.1



Water works

Key Challenges

- Backlog reduction to increase access to basic water and sanitation;
- Refurbishment of existing urban sewage infrastructure;
- Expansion of bulk water supply and waterborne sewage systems;
- Upgrade of existing peri-urban water supply schemes;

- Upgrade of low cost housing sanitation systems; and
- Drought mitigation in selected areas.

Constraints

In order to address the challenges and demands placed upon the Municipality, the following constraints need to be overcome:

- Access to additional capital funding for backlog alleviation;
- Access to softer loans for urban sanitation programmes;
- Access to additional grant funding for urban low cost housing sanitation; and
- Drought relief support for selected areas.

Strategies Developed

- Developed funding model and business plans for leveraging MIG funds using private sector funding;
- Created a basket of projects within the MIG programme for flexibility in implementation;
- Prepared business plans for water and sanitation augmentation projects;
- Establishment of MoU with Umgeni Water in implementing strategic projects;
- Targeting Quick Win Areas with smaller backlogs (2%-4%) can be completed quickly instead of the incremental approach; and
- Regional planning and implementation of water projects.



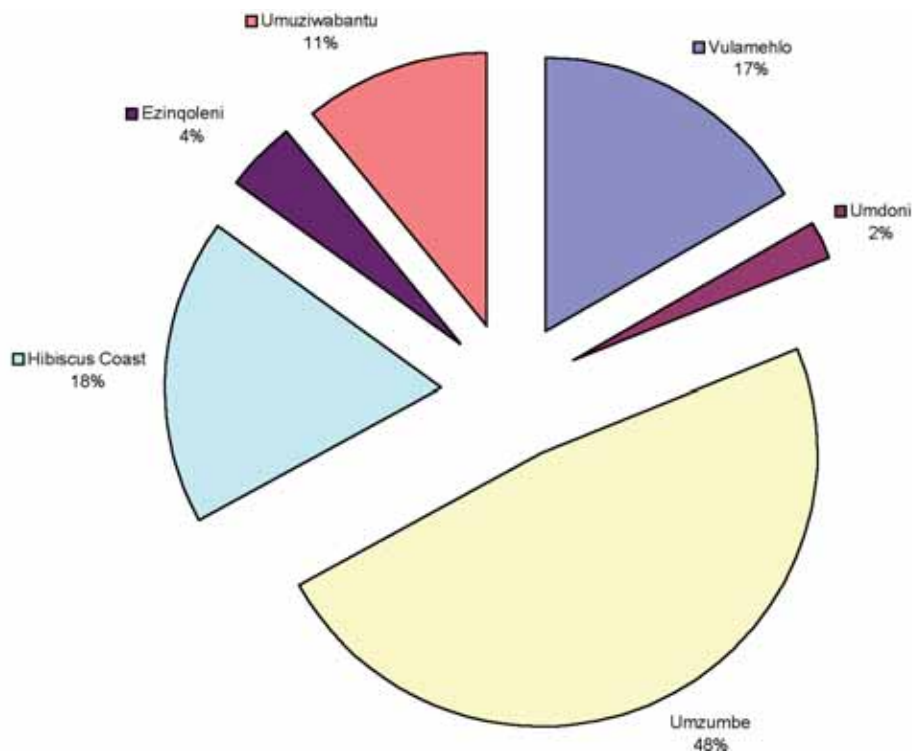
Progress in eliminating backlogs

Table 2.2 Latest backlog statistics for UGU

Municipality	Backlog (population)	% Backlog per municipality (backlog study stats)	Estimated cost R
Vulamehlo	59 797	17	146 919 000
Umdoni	7 158	2	23 216 000
Umzumbe	171 940	48	222 570 000
Hibiscus Coast	64 636	18	73 055 000
Eziqoleni	14 782	4	42 000 000
Umuziwabantu	39 030	11	113 867 000
Total	357 343		621 627 000

The water backlog for Ugu District Municipality is estimated at 40% as at end June 2007.

Water backlog per municipality (backlog study statistics)





Sanitation Backlogs

Table 2.3 Sanitation backlogs in the 2006/2007 Financial Year

Municipality	Backlog (population)	% Backlog per municipality (backlog study stats)	Estimated cost R
Vulamehlo	59 797	17	146 919 000
Umdoni	7 158	2	23 216 000
Umzumbe	171 940	48	222 570 000
Hibiscus Coast	64 636	18	73 055 000
Ezinqoleni	14 782	4	42 000 000
Umuziwabantu	39 030	11	113 867 000
Total	357 343		621 627 000

A total of 5 497 VIP toilets were constructed in 2006/2007 leaving a backlog of 77 373 toilets. The backlog of the previous year was 81 870 toilets.



VIP Toilets Project



Local Economic Development

Performance Highlights

Local Economic Development Strategy

Ugu District Municipality has developed the Local Economic Development (LED) strategy, which focuses on sector plans that are aligned with the National Spatial Development Perspective (NSDP), Accelerated Shared Growth Initiative of South Africa (ASGISA), Provincial Growth Development Strategy (PGDS) and Provincial Economic Spatial Development Strategy (PESDS). The strategy has influenced the new approach and thinking in the District of playing our key role as a facilitator, stimulator, partner, regulator, investor, enabler and promoter of economic development. The sector plans that have been developed as part of the Local Economic Development Plan are:

- Agriculture Development Plan
- Manufacturing Development Sector Plan
- Tourism Development Plan
- Poverty Reduction Plan
- Trade and Commerce Plan
- ICT Sector Plan
- Investment Facilitation Plan

These plans have been used in making investment decisions by the District in growing the economy. Ugu District Municipality can confirm that the LED strategy is a credible and realistic strategy to address the issues of economic development within the district.

Trade and Investment Show





Women in Business Launch

Land Banking for Economic Development and Growth Programme

This strategy has been developed with a view to acquiring strategic land parcels and making them available for high impact economic projects. The district has managed to obtain two such strategic properties thus far, one from

the private sector and the other from the public sector, which pertained to the purchase of land from the National Department of Public Works for the development of a small craft harbour. These are outlined below together with estimated costs:

- Ugu Sports & Leisure Centre - R317 million
- Hibberdene Harbour - R2.1 billion



Soccerex



Cooperatives Programme

Ugu has formulated a development programme aimed at reviving and supporting cooperatives, stokvels and burial schemes in our region. The main purpose of the programme is to address among other things, the following issues:

- Lack of working facilities;
- Lack of markets for the products;
- Lack of business management skills;
- Lack of institutional support by the municipalities;
- Lack of good understanding of cooperatives by the members, municipality officials and support institutions (SEDA, FET, etc); and
- Uncoordinated, and underutilised marketing opportunities.

Ugu District Municipality had set the tone for municipalities in respect of the support that had been afforded to cooperatives and stokvels in order to strengthen local economic development programmes.



Cooperatives programme

Challenges

Table 2.1 Challenges and planned remedial action

Existing Situation	Potential Future State	Core Thrusts for LED in Ugu
Weaknesses		<ul style="list-style-type: none"> • Add value to agriculture • Transport and logistics infrastructure and services • ICT infrastructure and skills • Hinterland development (social, economic and infrastructure) • Tourist sector development • Manufacturing, trade and commerce growth, and development • Attract, retain and expand investment • Strong institutional implementation mechanism • Poverty eradication
Shortage of middle level skills	Training and development of middle level skills to bridge gap between highly skilled professionals and unskilled labour	
Large scale poverty	Effective implementation of National and Provincial poverty eradication programmes (ISRDP, DSD, etc.)	
Poor infrastructure in underdeveloped hinterland areas	Economic infrastructure developed in key rural nodes and corridors	
Limited railways	Public-private partnership with Transnet to boost transport links with eThekweni	
Threats		
Unresolved land issues delay agricultural investments	Significant investments to boost agricultural production	
Neglect of manufacturing sector development	Refocused to stop manufacturing decline	
Climate change	Plans developed and implemented to reduce impact of climate change on Ugu economy, e.g. protecting agricultural land and beaches	
Delays in N2 development	N2 Toll Road development creates multiple opportunities and risks to Umuziwabantu and Eziqoleni	
Electricity shortages	Improved efficiency and distribution in Ugu	
Decline in historical agricultural markets	Explore niche products and markets and more value-adding agro-processing	
Increase in transport costs	Multiple transport options for industry	



Mayoral Programmes

The Municipality has continued to place on its agenda the need to forge strong partnerships with civil society in general. Various projects were undertaken during the year under review and the following are some of the examples of successful projects:

Harding Clean-up Operation

This was a project that saw hundreds of ordinary people from Harding take to the streets to really get their hands dirty and make sure that their area and environment is clean. The town has been the subject of immense media coverage following its dilapidated state, years of neglect and allegations of mismanagement. The success of this campaign was so powerful that new projects were committed as part of the broad Harding Town Revitalisation Project.

Projects Masakhane – bringing water closer to communities

This was a pilot project launched in the second half of the year under review and was about the extension of water pipelines to rural communities. This programme saw



Harding Clean-up Campaign

communities dig trenches without the expectation of payment. Over a period of three months, 44.4 kilometres of water pipes have been laid, improving access to water and helping the Municipality to meet national targets. This is a good example of a powerful and successful partnership.

S'bongunowa Orphans Programme

Recognising the need to respond to the growing challenge of orphans in the community of KwaMgwayi, an NGO operating in the area, S'bongunowa, initiated a project to identify and assist orphans in areas of education and general well-being.

Working with the Municipality, an initial group of 50 orphans were assisted with school uniforms and books, allowing them to go to school and making them feel that they are part of the society. An additional 100 have been identified and will benefit in the new financial year.

HIV/AIDS and vulnerable groups

The District Municipality has continued to strive for excellence, not only for core business issues, but in mainstreaming programmes for vulnerable groups. The focus programmes in the year under review were:

- HIV and AIDS
- Rights of the child
- Programme for people with disabilities
- Women
- Youth
- Senior Citizens
- Farm Workers

Some remarkable highlights from the programmes include the following:



Women's Programme

- Allocated budget for 2006/2007: R500 000.
- Ongoing capacity building programmes linked to the Local Economic Development programmes.

Youth Programme

- Dedicated manager and office in place.
- Allocated budget 2006/2007: R500 000 for a functional youth unit in place.
- Local municipalities supported.
- Units launched at Umdoni, Vulamehlo, Umzumbe, Hibiscus Coast and Umuziwabantu.

People with Disabilities

- District Forum in place.
- Dedicated budget 2006/2007: R645 000.
- Two local municipal forums in place.
- Disability and local municipality forum meetings convened.

- 108 people with disabilities trained in trauma management, HIV and AIDS.
- 20 trained in computer and business management.
- 15 trained in cane furniture and skills development.
- 12 trained in carpentry skills.
- Disability organisations supported.
- Integrated planning with other government departments; focal persons represented in the district forum.

Programme on the Rights of the Child

- ORC focal persons identified in all government departments and local municipalities.
- Local programme of action in progress.
- Events targeting children commemorated as per calendar of events, in collaboration with other government departments e.g. Child Protection Week.



Mayor's Children Project



Corporate Strategy and Shared Services

In November 2006 at the Governance Indaba in Alpine Heath, Ugu District Municipality and its family of municipalities made a resolution to share a number of services in 2006/2007 and 2007/2008 financial years. The purpose was to create a shared service centre at Ugu District level and utilise the district resources to support the centre. It is envisaged that these shared services will not be limited to those services driven by the District Municipality, however they also include those services that are shared by some of the municipalities. It was agreed at the Governance Indaba to share the following services in 2006/2007 and 2007/2008 financial years:

- Internal Audit;
- Enterprise Resource Planning (ERP);
- Development Planning;
- Project Management Unit;
- HR training and EAP;
- One stop customer care centre;
- Emergency services;
- Waste management;
- Environmental management; and
- Legal services.

Shared Services

Ugu District Municipality signed service level agreements with two local municipalities, namely Umzumbe and Umuziwabantu Local Municipalities. Ugu District Municipality is implementing various projects on behalf of the mentioned municipalities, such as: water, sanitation, roads and community halls. These two municipalities requested Ugu PMU assist them with the implementation of their projects, as they lack experience and capacity. Whilst assisting them, the PMU section also endeavours to ensure that skills are transferred to their technical staff members.

Internal Audit

The Internal Audit Unit, headed by Manager: Internal Audit, is situated in the Office of the Municipal Manager.

The role of the Internal Audit Unit is to assist the Municipal Manager and the General Managers to meet their objectives and to discharge their responsibilities by providing an independent and objective assurance and consulting service designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The assurance services includes financial, performance, compliance, systems security and due diligence engagements. The consulting services includes counsel and advisory services. In these matters internal audit does not assume management responsibility.

The Internal Audit Unit is a shared services function providing assistance to the following local municipalities:

- Hibiscus Coast Municipality;
- Umdoni Municipality;
- Vulamehlo Municipality;
- Umzumbe Municipality;
- Eziqoleni Municipality; and
- Umuziwabantu Municipality.

The Internal Audit Unit, which maintains a complement of professional audit staff via the assistance of its co-sourced partner, Ernst & Young, develops, executes and manages an approved risk-based annual plan. The nature, role, responsibility, status and authority of Internal Audit are clearly defined in an approved Internal Audit charter. This charter assists the unit in discharging its responsibility in terms of section 165(2) of the MFMA.



Project Management Unit

Ugu Project Management Unit (PMU)

PMU was formed in the 2004/2005 financial year after Community Based Public Works Programme (CBPWP) and Consolidated Municipal Infrastructure Programme (CMIP) were completed. Both the Public Works and CMIP projects were implemented with great success. The National government announced that all the funds from different programmes will be combined to form the Municipal Infrastructure Grant (MIG). This means that all the municipalities must have a PMU section to implement projects funded by various institutions. The PMU section was formed by combining the employees working on CMIP and Public Work Projects. The PMU section was also tasked to be the Project Implementation Agent for Ugu projects as the PMU section has the capacity and experience to implement projects, both from a technical and a financial perspective.

Responsibilities and functions

Since the PMU section was formed the focus has mainly been on the implementation of water and sanitation projects. Other projects within Ugu District Municipality e.g. Sports and Recreation projects and LED projects were also implemented with great success.

The responsibility of the PMU section is to implement the projects in the following stages:

- Project awareness by the community, working through the ward councillor;
- Project description with the ward committee members and Inkosi of the area;
- Verifying budgets and payments for projects as well as project tracking;
- Preparation for projects, sod turning by the Mayor, MEC or the President, as well as project 'hand-overs' to the community;
- Verifying and implementing, quality control and time frames on the consultants and the contractors;
- Attending meetings with the ward committees and Councillors; and

- All the social disputes from the community or Inkosi area are also attended to by the PMU with the assistance of the social consultants.

Achievements

Since 2004 PMU has successfully implemented sanitation and water projects amounting to R 298 million.

Household sanitation

The PMU section has developed its own design for precast VIP C section toilets. Since there is a national backlog on the provision of sanitation services, the newly designed toilets were extensively used as they are easy to construct, easy to use and extremely durable.

The PMU section has built 25 481 household toilets between 2004 and 2007. This resulted in Ugu District Municipality being recognised by both the Provincial and National government. It also contributed to Ugu District Municipality receiving both Provincial and National Vuna awards and also received an award from the South African Institute of Civil Engineering for the best sanitation programme.



VIP toilets for the physically challenged



ERP (MBS Axapta)

In line with the mission of the Ugu District Municipality to enhance performance and work ethic to reach world-class standards, the District Municipality is implementing an Enterprise Resource Planning System, MBS Axapta.

The following are the reasons for the implementation of MBS Axapta:

- Newly promulgated legislation and finance reform has necessitated changes in the business imperatives of the Ugu District Municipality.
- To provide Ugu with accurate, timeous and relevant information necessary to enforce internal controls in line with corporate governance requirements.
- To integrate Ugu's database with a cost efficient operating environment.
- To replace multiple outdated legacy systems, bring in new systems and thus align internal processes to effectively deliver to Ugu a single consolidated view of all processes and data across the entire organisation.
- To replace Ugu's existing systems with a single and flexible solution enabling a responsive interface with Ugu's complex and broad customer base and other stakeholders.
- To provide adequate capabilities for the purposes of streamlining the back-office business processes

such as Finance, Human Resources and Project Management.

- As part of finance reform, to train staff to use new technology more effectively and to improve the quality of work life.
- To provide employees, in general, with a central source of information to assist with decision making.

The system consists of the following modules:

- Finance (General Ledger, Banking, Fixed Assets, Debtors & Creditors, Budgeting);
- Trade (Stock Management & Basic Warehousing and Procurement);
- CRM (Sales management and basic help desk facility);
- Xellent Billing (Multi-utility billing and Receipting, handheld meter reading and receipting device interfaces);
- Atlas XL (Microsoft Excel Reporting Integration to MBS Axapta);
- Projects (Projects and Timesheets); and
- Facility and fleet management and maintenance (2nd Phase Project).

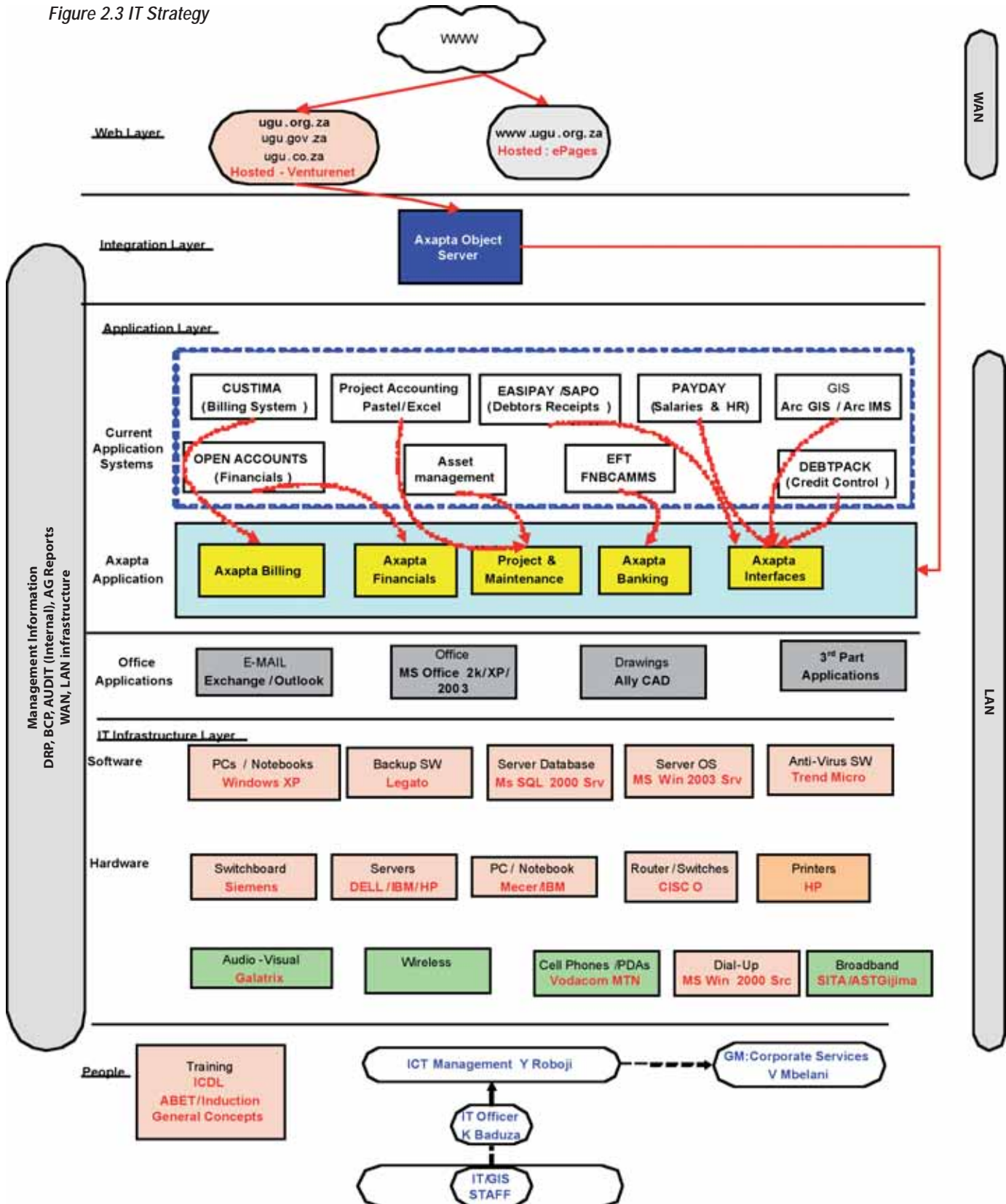
The implemented solution will integrate seamlessly with Microsoft Office software and the applications enumerated in table 2.2.

Table 2.2 Applications to be integrated with MBS Axapta

	Description	Purpose
1	Pragma Onkey Asset Management System	Fleet Management IT Assets
2	GIS ArcView	Geographical Information System
3	Radix Hand Held Devices	Meter Reading Software
4	Payday Salaries and HR	Salaries and HR Modules
5	DIMS (District Information Management System)	National Government Project Reporting
6	National Treasury Reporting Spreadsheets	National Treasury Financial Monitoring



Figure 2.3 IT Strategy





Batho Pele

Batho Pele is understood by us to be an initiative that aims to get our municipal employees to be service orientated, to strive for excellence in service delivery and to commit to continuous service delivery improvement. It commits Ugu Municipality to be held accountable to communities for the level of services delivered. Therefore communities have to be put in centre in delivering services.

A Batho Pele Change Management Engagement Programme (BPCMEP) was only conducted on the 13th-15 March 2007 for Ugu and other municipalities. Within four months, we were able to develop the Batho Pele Policy Framework and Implementation Strategy that was adopted by Council. A Service Delivery Improvement Plan informed by this policy framework was then developed and also approved by Top management. The following has been achieved to create a conducive environment for the implementation of Batho Pele:

- Batho Pele Policy Framework;
- Implementation Strategy;
- Training of 19% of all Ugu District Municipality including all managers;
- Training of all frontline staff using customer care programme;
- Inclusion of Batho Pele in the strategic documents of the Municipality such as the IDP and Performance Agreements of Section 57 employees.

The Ugu Municipality has been applauded by DPSA and DLGTA as the only District Municipality in KwaZulu-Natal and South Africa that has taken the Batho Pele Change Management Engagement Programme seriously and begun to cascade it to its employees.

However, challenges are that though Ugu District Municipality is doing so well in implementing Batho Pele, internalisation of People First has not yet fully taken place. This has been demonstrated by the customer satisfaction surveys that were conducted in September 2007. This survey showed that Ugu District Municipality has not yet published its service standards.

In order to ensure the delivery of key services in the SDIP by top managers, a register of services was developed and approved by top management. The register of services is a tool that measures services rendered to customers at various places about different issues and staff. After rendering the service a top manager records service in accordance with the elements in the register.

Customer Care Survey

Batho Pele is being cascaded to all departments in the Ugu District Municipality. We began with departments and sections that are at the coalface of service delivery such as frontline staff and call centre. During Batho Pele workshops, especially supervisors' Batho Pele workshops, we observed that the Municipality is not doing well in the Batho Pele Principles. This has necessitated the development of a customer care programme that should be informed by the needs of our customers, hence a preliminary survey was conducted.

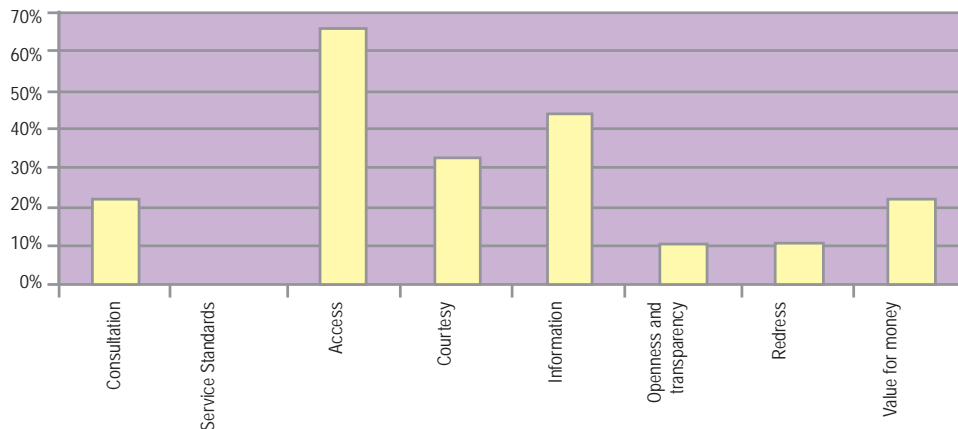
Purpose and method

Consumers who have recently visited the municipal offices, seen and talked to the frontline staff telephonically, in writing or in person were purposefully sampled. Correspondence registers held by Municipal Credit Controllers, Enquiry Clerks, Call Centre staff, Cashiers and Junior Administration Clerks based in the rural Satellite Offices were also used to answer questionnaires that were based on eight Batho Pele Principles.



Table 2.4 Results of the Customer Survey

Batho Pele principles



Consultation 22%, Service standards 0%, Access 66%, Courtesy 33%, Information 44%, Openness and Transparency 11%, Redress 22%, Value for money 22%

The respondents' comments will be used in developing a customer care programme for all our frontline staff.

BPCMEP has initiated the process of communication between extended top management and employees around the issues of change, service delivery and internal customer care. The consequence of this is that Extended Top Management has resolved to:

- Revisit communication between departments and Management levels and employees;
- Reconsider systems and processes of introducing change in the organisation;
- Improve signage leading to the Municipality and wearing of name tags by all employees;
- Revisit complaints handling procedures;
- Conduct a special workshop with bias to customer care to enable those in the centre to deal appropriately with irate customers;
- Conduct a customer satisfaction survey to inform the packaging of the workshop material for customer care training; and
- Customise the Belief Set and design the service standards and turnaround times for everyone to adhere to.

There are numerous issues which are being raised at the training workshops which are going to transform the Ugu District Municipality. The extended top management highly appreciates what Batho Pele workshops raise for their consideration at their monthly meetings.

The little success the municipality is achieving so far can be attributed firstly to the dedicated top management backed by a very strong and vigilant Executive Committee, but also DPSA's consistent support whenever Ugu District Municipality requires information, and their keen interest in what is done and achieved in respect of Batho Pele on a monthly basis.

District Information Management Systems (DIMS)

District Information Management System (DIMS) is an ISRDP National Pilot Project aimed at promoting the management of information in District Municipalities while at the same time rationalising the reporting information to the major funders and also to monitor the implementation of the IDPs and community projects. The project is funded by Development



Bank of South Africa (DBSA).

Full implementation of DIMS will assist the management to:

- Report to multiple funders, government departments and other agencies;
- Reduce the overwhelming reporting requirements that consume valuable resources away from service delivery;
- Rationalise existing databases which are isolated and have resulted in fragmented information management; and
- Implement IDPs with a spatially referenced and integrated information management system.

The responsibilities of Ugu District Municipality in ensuring successful implementation of DIMS are as follows:

- Ugu management is supporting the implementation of DIMS;
- Ugu IT/GIS has ensured adequate infrastructure for the operation of the system; and
- The DIMS server is hosted in a secure environment.

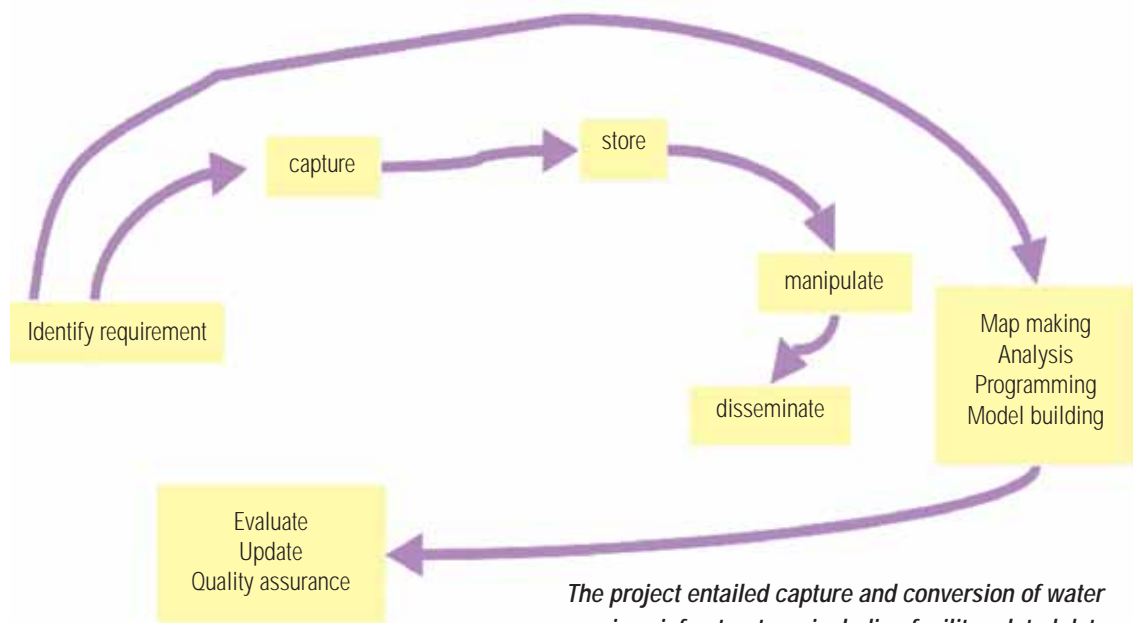
Geographic Information Systems

Umzumbe Infrastructure Data Capturing Project

Ugu District Municipality embarked on an infrastructure data capturing project at Umzumbe to facilitate placing of socio-economic and developmental information in a spatial context, thereby assisting in prioritisation of developmental programmes.

Umzumbe Municipality was utilised as a pilot site and the plan is to roll-out the project to other local municipalities within the District. Implementation in the 2007/2008 will take place at Vulamehlo Municipality. The Umzumbe project was aligned with the TECL (Towards the Elimination of the worst forms of Child Labour) Water Programme at Umzumbe Municipality. This is a water prioritisation model aimed at achieving DWAF's target of ensuring that all people in South Africa will have basic water services within 200m of their household by 2008. However Ugu has set a standard of 500m which is quite reasonable. Below is a sketch depicting the project stages.

Sketch 2.5 Project stages



The project entailed capture and conversion of water services infrastructure, including facility related data and project related data.



Table 2.6 Facilities captured in Umzumbe

No. of facilities captured: weeks 1-7	
Capture data	Total no. of features captured per type
Administration centre	12
Billboard	36
Borehole	35
Business	67
Community hall	5
Creche	22
Water devices	317
Education facility	32
Health facility	9
Low level bridge	20
Non-permanent pension paypoint	3
Place of worship	58
Postal services	22
Projects	19
Pump	14
Pump station	7
Reticulation	183
Sports and recreation	20
Spring	140
Stand pipe	302
Surface water abstraction	20
Water storage	127
Water treatment works	1
TOTAL	1 471



Disaster Management

Highlights

The following activities were successfully performed by the Disaster Management Unit:

- Completed the Disaster Contingency Framework.
- Established a Disaster Management Centre.
- Developed a Business Continuity Plan.
- Developed a Disaster Management Information Systems Plan.
- Attended to incidents in the district.

Challenges

- No registered Fire Protection Associations in place.
- The establishment of Working on Fire Programme was still in progress.
- No proper records kept of fires that had occurred.
- The majority of houses damaged are rural houses since some were constructed with brick and mortar.



St Michaels tidal pool



Uvongo beach parking



Port Shepstone beach



Performance and Recognition Awards

The Municipality won the following performance and recognition awards during the year under review:

Vuna Awards

The Vuna Awards are an initiative of the Department of Provincial and Local Government (DPLG) in Partnership with the Development Bank of Southern Africa (DBSA), the National Productivity Institute (NPI) and the South African Local Government Association (SALGA) to seek out those municipalities who exercise innovation and excellence in fulfilling their service delivery mandate.

In the year under review, Ugu District Municipality won the overall Provincial Vuna Award 2006, as well as three categories of the National KPAs at the Provincial level, which were:

- Financial Viability;
- Good Governance and Community Participation; and
- Institutional Transformation.



National Benchmarking Initiative for the Water Services Authority

The South African Local Government Association (SALGA), Department of Water Affairs and Forestry (DWAF) and Water Research Commission (WRC) have formed a partnership to establish a national benchmarking programme aimed at promoting improved performance of water services by all Water Services Authorities in South Africa.

It was launched at the end of 2005 and the national benchmarking undertakes annual benchmarking of Key Performance Indicators for the provision of water services in participating municipalities. This also involves site visits and quality control of information to ensure consistency and reliability. The initiative is a three year project and was in its second year of existence in the year under review. It is implemented using an incremental approach with the intention of having benchmarked 120 of the Water Services Authorities by the end of the 3 years.



Vuna awards



Bhobhoji Laboratory

The Benchmarking Initiative uses the 9 compulsory regulatory performance measures as defined in the National Water Services Regulation Strategy viz:

- Access to basic water supply.
- Access to basic sanitation supply.
- Quality of services: potable water quality.
- Quality of services: continuity of supply.
- Access to free basic services (both water and sanitation)
- Financial performance: affordability and debtor management.
- Asset management: metering coverage and un-accounted for water.
- Protection of the environment: effluent discharge quality.
- Institutional performance.

Ugu District Municipality won two awards for:

- The Overall Best Performance for 2006 benchmarking, and
- The Most Accurately Provided Data for 2006 benchmarking.

The evaluation and assessment of the Municipality's performance was measured in the following manner, based on the above mentioned performance indicators:

- Access to water supply: Ugu District Municipality is within the average percentage in terms of water supply accessibility compared to other municipalities but our peers are most above average and a lot still needs to be done.
- Access to sanitation: In terms of this indicator Ugu District Municipality is also within the average.
- Quality of service in terms of portable water and continuity of supply: Ugu District Municipality is reasonably complying with SANS 241 standards and also maintaining the continuity of supply, but it is still a challenge to fully implement a compliant Drinking Water Quality Monitoring system and continuity of supply in the Ugu region especially in rural water schemes.
- Access to Free Basic Services: Ugu District Municipality is fully implementing the Free Basic Water provisioning according to Free Basic Water Policy. The Free Basic Sanitation Policy is not in place hence the Free Basic sanitation is applicable to the indigent only.
- Financial performance: In terms of financial management Ugu District Municipality is above average.

Institute of Municipal Engineers of South Africa the (Environmental Project: Margate Pump Station) Second Position after the City of Cape Town

Margate Pump Station, which was built 4m below sea level at a total cost of R10 million, came second in the IMESA Awards as a project which required Engineering recognition because of its complexity and the impact it will have on the environment. This pump station replaces the 1948 pump station which was installed as a temporary pump station but continued to work until this new pump station was built.

Ethekwini Water and Sanitation Award for Achievement in Community Based Projects for the Ugu District Sanitation Programme

South African Institute of Civil Engineers National Award for Achievement in Community Based Projects for the Ugu District Sanitation Programme



Ugu Water



Chapter Three

Human Resource and Other Organisational Management

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Human Resource and Other Organisational Management

Organisational Structure

The mandate of the Municipality is to ensure that all of its citizens, regardless of race, gender or sexual orientation have access to the basic essential services of water and sanitation; and that the communities of the Municipality are adequately developed.

Administration

The administration of the Municipality is headed by the Municipal Manager. There are four departments, each headed by a General Manager. In addition, the Deputy Municipal Manager within the Office of the Municipal Manager is responsible for the efficient and effective operation of all departments.

Office of the Municipal Manager

The Office of the Municipal Manager is responsible for the following functions: Development Planning; Strategy and Shared Services; Internal Audit; Mayoralty and Communication; Legal Services; Environmental Services; and Special Programmes.

Development Planning – responsible for the implementation of the Integrated Development Plan (IDP), and to monitor progress of the implementation thereof.

Strategy and Shared Services – Coordination of shared services, risk management and performance management.

Internal Audit – provision of internal audit services to the Municipality as well as coordination of the implementation of the internal audit service as a shared service within the District.

Mayoralty and Communications – Coordination of Mayoral executive support, corporate communications and marketing of the Municipality.

Legal Services – Coordination of legal compliance and associated advisory services.

Environmental Services – Coordination and implementation of environmental management and environmental health services.

Special Programmes – Advocacy and lobbying for the development of and mainstreaming of issues around vulnerable groups: people living with HIV or AIDS, children, senior citizens, youth, people with disabilities, women, or farmworkers.



Departments

TOP MANAGEMENT



*Municipal Manager
Khayo E Mpungose*



*Deputy Municipal Manager
Nathi T Ndelu*



*Chief Financial Officer
Ved Hukum*



*General Manager: Infrastructure
and Economic Development
Mduduzi Mnyandu*



*General Manager:
Corporate Services
Vuyokazi Mbelani*



*General Manager:
Water Services
Maxwell Pawandiwa*



The Municipality has the following four departments:

Corporate Services Department

The Corporate Services Department, headed by the General Manager: Corporate Services includes: Human Resources, Secretariat, Information & Communication Technology (ICT), Geographic Information Systems (GIS), Registry & Auxiliary Services, and Disaster Management.

The following are the functional areas of the sections within the Department:

Human Resources – Coordination of sound labour Relations, human resources management and recruitment strategies, employee wellness, organisational development and Occupational Health & Safety.

Secretariat – Coordination of secretariat support to Council and its Committees.

ICT – Ensuring the efficient implementation of information management systems; implementation and maintenance of application systems; implementation of Enterprise Resource Planning; hardware and software maintenance; information systems security; and general coordination of management of ICT systems.

GIS – Coordinates the placing socio-economic and developmental information in a spatial context. This assists the political leadership and management in decision making and service delivery implementation planning. Spatial analysis as well as spatial modeling is also done.

Registry and Auxiliary Services – Records management, registry management, facilities management, security management, telecommunications and building maintenance.

Disaster Management – Coordination of the prevention, mitigation and management of disasters.

Treasury Department

The Treasury Department includes: Equity & Accounts, Grants & Expenditure, Budget Control and Supply Chain Management.

Equity and Accounts – Asset management, loans & investments and cash collection.

Grants and Expenditure – Coordination of accounts payable, payroll and management of grants received.

Budget Control – Preparation of budget, financial forecasting and preparation of financial statements.

Supply Chain Management – Coordination of procurement of goods and services and management of the supplier database.

Infrastructure and Economic Development Department

Infrastructure and Economic Development (IED) is made up of the following sections: Project Management Unit, IED Finance, and LED & Tourism.

Project Management Unit (PMU) – Implementation of MIG funded projects such as water, sanitation and community facilities.

Infrastructure and Economic Development Finance – Responsible for the management of the budgets for the MIG grant, as well as all other departmental grants and funding.

LED & Tourism – Facilitating and coordinating activities and programmes that would yield shared economic growth and extensive marketing of the district.



Water Services Department

The following are the sections which make up the Water Services Department: Water Services Income, Water Reticulation, Sanitation & Water Treatment, Water Services Authority (WSA) & Administration, Electromechanical and Fleet Management.

Water Services Income – Billing of residential and industrial consumers, collection of debt, as well as the coordination of indigent support.

Water Reticulation – Develop and maintain water supply and reticulation services to communities – both in bulk and via the reticulation system.

Water Services Authority (WSA) and Administration –

Ensure compliance with all water provision legislation and supporting bylaws, maintaining a well manned call centre, and ensuring proper administration within the Department.

Sanitation and Water Treatment – Supply and maintain water treatment and sanitation services to communities.

Electromechanical – Provision of support towards the provision of water services through the provision of mechanical, electrical and fitting services.

Fleet Management – Ensure that the organisation adequately supports service delivery through the provision and management of an efficient fleet.



Staffing Information

The municipality has a staff complement of 717. The following table illustrates information regarding the staff complement of the municipality:

Function	No. of Staff	No. of Vacancies
Office of the Municipal Manager	25	5
Corporate Services Department	44	6
Treasury Department	53	5
Planning & Environment Department	45	7
Water Services Department	550	31
Total	717	54

The following policies were developed and some reviewed during the 2006/2007 financial year:

- Compensation for Occupational Injuries
- Compounding of Leave
- Installation of Base Telecommunications Equipment
- Personal Protective Equipment
- Subsistence & Traveling
- Telephone & Cell Phone Allowance
- Credit Control & Debt Collection Policy
- Water Services Policy
- Water & Sanitation Tariffs Policy
- Indigent Support Policy
- Free Basic Water Policy
- Fixed Asset Management Policy
- Investment & Cash Management Policy
- Subsistence & Travel Policy
- Vehicle Policy
- Personal Protective Equipment
- Leave Regulations
- Acting Allowance

The following are the medical aid schemes in operation in the Municipality:

- Global Health
- Bonitas
- Hosmed
- LA Health
- Munimed
- Samwumed

The following are pension fund schemes in existence in the Municipality:

- Natal Joint Municipal Pension/Provident Funds (NJMPF)
- Government Employees Pension Fund (GEPF)
- Municipal Councillors Pension Fund (MCPF).



Human Resource Profile

The following table provides staffing information:

Number of all municipal staff employed	Number of staff	Male	Female
Professional (Managerial/Specialist)	95	56	39
Field (Supervisory/Foremen)	89	87	2
Office (Clerical/Administrative)	126	43	83
Non-professional (blue collar, outside workforce)	407	347	60
Total	717	533	184

A total of 200 employees received training in the 2006/2007 financial year at a cost of R998 200.

The following table provides a breakdown of training beneficiaries per occupational categories:

Occupational category	Males	Females	Total
Senior Officials/Managers	11	4	15
Professionals	2	8	10
Technicians/Associated Professionals	17	11	28
Clerks	11	38	49
Service Workers	2	–	2
Craft & Related Trade Workers	5	–	5
Plant & Machine Operators	15	3	18
Elementary Occupations	56	17	73
Total	119	81	200



Below are the performance targets of the Human Resources function as per set priorities:

Key Performance Area	Performance Targets	Current	Target
Municipal Transformation & Institutional Development	Restructuring within the Water Services Department, focusing on beefing up of practitioners and artisans within the Department, in order to speed up service delivery. The restructuring also resulted in the flattening of the management structure of the Department. The result is that the district is divided into areas, with a manager having overall responsibility for all operations of the department within the entire area.	Previously, managers within the Department only focused on their competency area such as reticulation, sanitation, etc throughout the entire District	Complete ownership or responsibility for all water services operations within a certain locality/ area. This ensures streamlining.
	Relocation of Legal Services Unit to the Office of the Municipal Manager in order to ensure that the Accounting Officer has adequate support with regard to legal matters.	The unit was scheduled to be located within Corporate Services	This enhancement ensured that the Accounting Officer was aware at all times of matters which may lead to litigation, ensure that legislative prescripts are adhered to, thus minimising the need to consult with external legal experts.
	Capacitating of the Communications Unit to ensure that interaction and communication with the public is conducted in a corporate and professional manner.	HR has embarked on an exercise to attract experienced candidates in order to capacitate the communications unit.	This ensures a close working relationship between the highest administrative office and the highest office of the political leadership, thereby resulting in a seamless and uniform communication.
	Enhancement of the Project Management Unit. This unit now comprises of a Financial Manager, as well as additional Project Officers, Technicians and Clerical staff based in the local municipalities of the district.	Unit previously had only five Project Officers and two Assistant Project Officers who were responsible for ensuring effective implementation of all infrastructure & development projects throughout	This enhancement ensures that the implementation of infrastructure is simultaneously carried out in all six local municipalities, with support staff on location.



Disclosures

Remuneration of Councillors

	Total cost (R)
Mayor	630 311
Deputy Mayor	490 079
Speaker	495 695
Executive Committee Members	1 725 117
Councillors	2 248 106
Total	5 589 308

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and shared secretarial support at the cost of the Municipality. Councillors may utilise official Council transportation when engaged in official duties.

The Mayor and the Deputy Mayor have one full-time bodyguard and one full-time driver.



Occupational Health and Safety

As early as 2003, Ugu District Municipality began implementing Safety, Health and Environment (SHE) as part of its management functions. Over time, the programme has evolved to keep pace with legislation. The SHE policy states "In all aspects of its business, Ugu District Municipality is committed to the protection of and the Safety, Health and Environment of its employees, customers and surrounding communities, and to conducting its operations in a manner that would not jeopardise the present and future generations".

Safety, Health and Environmental management is included in the job profiles of Senior Management and key staff across the divisions through the inclusion of Safety, Health and Environmental Key Performance Indicators in their contracts. In this way, SHE management is implemented through the organization.

Highlights

- Detailed Hazard Identification and Risk Assessment on 66 sites conducted.
- Noise surveys conducted at pump stations which during operations emit a noise level in excess of 85 decibels.
- Medical surveillance programmes for staff exposed to areas which have an environment conducive to infection by Hepatitis virus.
- Fire detection system in place at all administrative buildings.
- Emergency evacuation plans drafted.
- Quarterly training and awareness programmes on Occupational Health and Safety issues.
- Contractor Management System implemented and applicable to all contractors on municipal property or in municipal development projects.

Challenges

- Budgetary restrictions experienced in attempting to mitigate risks identified in the Risk Assessment exercise.
- Occupational Health and Safety perceived as an ad hoc activity of the Municipality.

Mitigation Strategies

Inclusion of Occupational Health and Safety as a KPI in performance contracts of all General Managers.



Employee Assistance Programme

Employee Assistance Programme (EAP)

EAP is a strategic intervention designed to produce organisational benefits by identifying and resolving challenges that impact on productivity and performance of individuals.

Projects within the EAP

Launch of HIV and AIDS Peer Educators Forum

HIV/AIDS has impacted negatively on the organisation, leading to decreased productivity. This has resulted in many organisations facing the problem of skills shortage and reduction of experienced staff.

The Municipality trained 23 staff members as HIV and AIDS Peer Educators with a view to conducting the following functions:

- Raising awareness on HIV and AIDS;
- Supporting infected and/or affected colleagues;
- Promoting prevention of infection and a healthy lifestyle; and
- Encourage people to know their HIV status.

Challenges

- Reduce stigma and discrimination.
- Promote use of condoms.
- Add value to the Municipality's EAP-related activities.

Screening for Lifestyle Illnesses

This programme was initiated by the Municipality with a view to raising awareness on the 'silent killers', and further promoting a healthy lifestyle. Screening of blood pressure levels (hypertension), blood sugar levels (diabetes), cholesterol and weight (BMI) were conducted.

The screening exercise yielded results indicating alarming obesity and overweight rates, which are high risk factors for the development of hypertension and diabetes.

Voluntary Counselling and Testing (VCT) (post window period) was conducted

Pre-window period HIV testing results were as follows:

- 190 employees tested (32 females and 158 males)
- 36 positive (5 females and 31 males).

Post-window period HIV testing results were as follows:

- 70 employees tested (7 females and 63 males)
- 08 tested positive (1 female and 7 males)
- The post-window period testing was only open to staffers who presented with a negative finding in the initial testing.

Statistics on staff members exiting employment of Municipality

Jul 2006	Aug 2006	Sept 2006	Oct 2006	Nov 2006	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	June 2007	Total
1	3	4	2	0	4	4	1	5	1	6	3	34



Analysis per annum

Deceased: 21

Resignations: 7

Medical Boardings: 3

Retirement: 3

Dismissals: 0

Mitigation Strategies

AIDS Candle lighting ceremony

The Municipality observes International HIV/AIDS Candle Lighting Ceremony. The purpose of this event is:

- To honour the memory of those who have lost their lives to HIV or AIDS
- To show support for those living with the virus or affected by it; and
- To raise awareness of the epidemic and to mobilise employee participation in the fight against HIV/AIDS.

Results of the ceremony:

- Dedicated budget for the EAP programme in place.
- HIV and AIDS policy adopted.
- EAP Committee in existence.
- HIV and AIDS Peer Educators trained.

HIV/AIDS VCT Programme





Computer training

Skills Development Programme

Given the fact that the Municipal Finance Management Act (MFMA) is a new piece of legislation within the Local Government sphere, the Municipality is committed to capacitating its councillors and officials on the prescripts of the Act and the implications thereof. The following are the interventions embarked on by the Municipality:

- On-line MFMA learning programme.
- MFMA development programme.
- Certificate Programme in Management Development for Municipal Finance.

Challenges

- The lack of identified mentors or coaches in the various departments who can assist in ensuring that the newly acquired skills are applied in the workplace.
- The linking of training and development with upward mobility of employees.
- A quality assurance tool is required in order to evaluate impact of training interventions implemented.
- Shortage of accredited training providers within the district.



Mitigation Strategies

- the Municipality has developed draft policies on Skills Retention and Skills Transfer.
- An upward mobility strategy has been adopted by Council.
- Quality assurance and penalising options are included in the reviewed Training & Development strategy;
- Utilisation of the LED forum to encourage emerging businesses to strive for accreditation in their particular fields of business.



Financial Statements and Related Financial Information





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General Information

MAYOR

Councillor SB Cele

DEPUTY MAYOR

Councillor NR Bhengu

SPEAKER

Councillor RR Pillay

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

Deputy Mayor

Speaker (Ex officio)

Councillors: MB Khawula

Y Nair

VL Ntanza

SG Nyawuza

GRADING OF THE LOCAL AUTHORITY

Grade 5

AUDITORS

Auditor-General

PRIMARY BANKER

First National Bank (to 30/03/2007)

Absa Bank (as from 08/12/2006)

REGISTERED OFFICE

Aqua House

28 Connor Street

Port Shepstone

PO Box 33

Port Shepstone

4240

Telephone: (039) 688 5700

Facsimile: (039) 682 4820

E-Mail: ugu@venturenet.co.za

Website: www.ugu.org.za



General Information (continued)

MUNICIPAL MANAGER

KE Mpungose

CHIEF FINANCIAL OFFICER

VH Hukum

OTHER MANAGERS:

Deputy Municipal Manager

Manager: Internal Audit

Manager: Office of the Municipal Manager

Manager: Development Planning

Manager: Legal Services

Manager: Mayoralty & Communications

Manager: HIV/AIDS & The Rights of the Child

Manager: Youth Development

Manager: Sports Development

Manager: Special Projects

Manager: Grants & Expenditure

Manager: Equity & Accounts

Manager: Budget Control

General Manager: Corporate Services

Manager: Secretariat, ICT & Auxiliary Services

Manager: Job Evaluation Process

Manager: Human Resources

General Manager: Infrastructure & Economic Development

Manager: Tourism & Local Economic Development

Manager: Project Management Unit

Manager: IED Finance

Manager: Market

Manager: Disaster Management

Manager: Environmental Services

General Manager: Water Services

Senior Manager: Water Services Operations

Manager: Water Services Income

Manager: Sanitation & Purification

Manager: Water Reticulation

Manager: Mechanical & Electrical

Manager: Administration – Park Rynie

NT Ndelu

TS Masondo

SP Zuma

KJ Zulu

Vacant

BF Dube

M Mnguni

SZ Khuzwayo

Vacant

Vacant

T Vezi

SJ van Rooyen

Vacant

VJ Mbelani

Y Roboji

HEAM Wilcocks

MS Olivier (Acting)

MB Mnyandu

S Hlongwane

PS Watson

CT Wilcocks

T Khwela

APA Tanner

N Nkqeto

MN Pawandiwa

SA Hadebe

Z Mkhize

RM Msweli (Acting)

N Govender

PF Hart

DI MacIntosh



Members of Council

COUNCILLORS

SB Cele	ANC
Y Nair	ANC
NR Bhengu	ANC
RR Pillay	ANC
VL Ntanza	ANC
J van Vuuren	ANC
L Steyn	ANC
NF Shusha	ANC
CA Gamble	ANC
BT Lubanyana	ANC
E Moosa Bux	ANC
MG Sonwabo	ANC
NF Maphumulo	IFP
M Pillay	IFP
BO Ngcobo	IFP
MB Khawula	IFP
SG Nyawuza	IFP
SM Zuma	IFP
AC Human	DA
D Snashall	DA

PROPORTIONAL COUNCILLORS

WM Memela	ANC
G M Mchunu	ANC
T Cele	ANC
BR Duma	ANC
NH Gumede	ANC
MA Lushaba	ANC
MR Ngcobo	ANC
ZJ Zwane	ANC
S Mohamed	ANC
NA Mhlongo	IFP
SD Njongo	IFP
RM Ramdial	IFP
FB Shezi	IFP
BN Shози	IFP



Approval of Financial Statements

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 65 to 71, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2007.

KHAYO E MPUNGOSE
MUNICIPAL MANAGER
31 August 2007

VED H HUKUM
CHIEF FINANCIAL OFFICER
31 August 2007

COUNTERSIGNED



Foreword

During the 2006/2007 financial year the municipality continued to work under immense pressure to ensure compliance to various changes in legislation. The municipality was able to meet the challenges set by a changing legislative environment.

The people of Ugu gave this Council, alongside our family of local municipalities, a clear mandate to deliver basic services, grow the economy, create jobs and help build a better life. This will be further enhanced during the 2008 financial year. It is therefore paramount that both the political leadership and the administration stand behind a common developmental agenda, to set the first example of a powerful partnership for growth and development.

The municipality has adopted the use of the five key performance areas designed by the national government, to plan and measure its work. These five areas are: infrastructure development and service delivery; local economic development; good governance and democracy; transformation and institutional development; and financial viability.

The financial administration of the district is in a healthy state. This has been due to prudent fiscal discipline and sound financial management. We are always mindful of the need to reduce the cost of doing our business while providing continuous service delivery.

Although capital projects were limited to those financed from external funds, grant funding and the Capital Replacement Reserve, the municipality has successfully finalised the projects identified in the medium term expenditure framework of the Integrated Development Plan (IDP). The Municipality will in the 2008 financial year again embark upon projects identified in the IDP.

Sustained and accelerated service delivery and the payment for services still remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and remain committed to the upliftment of the living conditions of those that were forgotten previously.

I hereby wish to thank the Councillors and staff for their commitment during the year under review, and trust that work will continue at an accelerated pace during the 2007/2008 year.

I thank you.

CLLR SB CELE

MAYOR

31 August 2007



Audit Report

Report of the Auditor-General to the Municipal Council and KwaZulu-Natal Provincial Legislature on the Financial Statements and Performance Information of the Ugu District Municipality for the year ended 30 June 2007

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Ugu District Municipality, which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 82.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;

- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's



preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of financial statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by Ugu District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting as determined by the National Treasury as set out in accounting policy note 1 to the financial statements.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of Ugu District Municipality as at 30 June 2007 and its financial performance results 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 accounting policy note 1 to the financial statements, and in the manner required by the MFMA.

Emphasis of matters

11. Without qualifying my audit opinion, I draw attention to the following matters:

Significant uncertainty

Inter-municipal account balances

12. Included in the contingent liability note is an amount of R 7.9 million owing by the District Municipality. The amount is the net of the transfer of assets, liabilities, rights and obligations with respect to the transfer of the power and function aspects of water and sewerage to the District Municipality. At the 30 June 2007 the District Municipality was not in a position to take over these services and confirm the balance of R7.9 million.

Inadequate insurance cover

13. With reference to note 37 of the financial statements, a fire destroyed an administrative building of the municipality on the 29 June 2007. Assets with a book value of R14 million were lost. Due to the municipality not being adequately insured a claim of R12 million has been lodged. The municipality is still in negotiations with the claims assessor and the proceeds from the insurance claim are still uncertain.

Other Matters

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act

14. The municipality has not complied with section 63(2)(c) of the MFMA whereby assets that were disposed of were not approved by the Council.
15. The municipality has not implemented a fraud prevention plan and risk management policy. The municipality has therefore not effectively managed its risks in accordance with section 62(1)(c)(i) of the MFMA.
16. The municipality has not implemented a skill retention policy to provide resources or opportunities for training of officials



and the retention of competent and skilled staff as required by section 83 of the MFMA.

17. There were instances of invoices being paid after a 30 day period, which could result in interest and late penalties. The municipality has therefore not effectively managed its expenditure in accordance with section 65(2)(e) of the MFMA.

Value-for-money matters

18. The municipality has a high vacancy rate. Approximately 21% of the total funded posts for management are vacant and this could have a negative impact on service delivery.

Internal control

19. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Table 4.1

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Emphasis of matter					
Inter-municipal account balances	✓				
Inadequate insurance cover		✓			
Other matters					
Non-compliance with applicable laws and regulations	✓		✓		
Value-for-money matters	✓				

Unaudited supplementary schedules

20. The supplementary information set out on pages 83 to 89 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Other Reporting Responsibilities

Reporting on performance information

21. I have audited the performance information.

Responsibility of the accounting officer for the performance information

22. In terms of section 121(3) (c) of the MFMA, the annual report of a municipality must include the annual performance report of the Municipality prepared in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).



Responsibility of the Auditor-General

23. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007 and section 45 of the MSA.
24. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information) Non-compliance with regulatory requirements

26. The priorities, objectives and targets of the Integrated Development Plan were not aligned to the annual budget as required by regulation 6 of the Municipal Planning and Performance Management regulations.
27. A financial plan as required by section 26(h) of the Municipal Systems Act and Regulation 2(3) of the Municipal Planning and Performance Management Regulations was not reflected in the Integrated Development Plan.
28. The municipality has not included the key performance indicators in its Performance Management System as required by section 43 of the Municipal Systems Act and Regulation 10 of the Municipal Planning and Performance Management Regulations.
29. The municipality did not submit a copy of the Integrated Development Plan to the MEC for local government within 10 days after the adoption of the Integrated Development Plan by the Municipal Council as required by section 32 of the Municipal Systems Act.

30. The municipality did not involve the community in the review process of the development implementation and review of the Performance Management System as required by section 42 of the Municipal Systems Act and regulation 15 of the Municipal Planning and Performance Management Regulations.

Late finalisation of the audit report

31. 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.

Appreciation

32. The assistance rendered by the staff of the Ugu District Municipality during the audit is sincerely appreciated.

Auditor-General

JABULANI NKOSI
AUDITOR-GENERAL

Pietermaritzburg
15 February 2008





Report of the Chief Financial Officer

1. Introduction

It gives me great pleasure to present the financial position of Ugu District Municipality at 30 June 2007 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2007 indicates an increase in Net Assets, in Non-current Liabilities and in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increased Government Grant Reserve and accumulated surplus. The increase in Non-current Liabilities is primarily as a result of additional long-term loans being taken up for infrastructure expansion and refurbishment.

2. Key Financial Indicators

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

Indicator	2007	2006
Surplus / (Deficit) before appropriations	79 538 636	39 841 688
Surplus / (Deficit) at the end of the year	31 980 815	(5 030 607)
Expenditure Categories as a percentage of Total Expenses		
Employee Related Costs	35.34%	25.03%
Remuneration of Councillors	1.71%	0.86%
Bad Debts	0.28%	9.62%
Collection Costs	0.04%	0.19%
Depreciation	7.72%	2.64%
Repairs and Maintenance	4.25%	3.14%
Interest Paid	1.82%	2.12%
Bulk Purchases	3.86%	2.71%
Contracted Services	2.46%	1.82%
Grants and Subsidies Paid	22.08%	39.82%
General Expenses	20.23%	11.82%
Current Ratio:		
Creditors Days	85	57
Debtors Days	112	140



3. Operating Results

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E(1).

The services offered by Ugu District Municipality can generally be classified as General, Economic and Trading Services, and are discussed in more detail below.

The overall operating results for the year ended 30 June 2007 are as follows:

Details	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income					
Opening surplus / (deficit)	(5 030 607)	48 402 213	-110.39%	-	-
Operating income for the year	405 455 409	436 929 128	-7.20%	359 547 349	12.77%
Appropriations for the year	(42 527 214)	(85 646 320)	-50.35%	-	-
	357 897 588	399 685 020	-10.46%	359 547 349	-0.46%
Expenditure					
Operating expenditure for the year	325 916 773	397 087 440	-17.92%	359 547 352	-9.35%
Sundry transfers	-	7 628 187	-100.00%	-	-
Closing surplus / (deficit)	31 980 815	(5 030 607)	-735.72%	(3)	-
	357 897 588	399 685 020	-10.46%	359 547 349	-0.46%

3.1 General Services

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

Details	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	196 152 909	226 315 647	-13.33%	142 089 776	38.05%
Expenditure	120 513 208	175 602 758	-31.37%	139 689 775	-13.73%
Surplus / (deficit)	75 639 702	50 712 889	49.15%	2 400 001	-
Surplus / (deficit) as % of total income	38.56%	22.41%		1.69%	

Variance from 2005/2006 actual:

The 13.33% decrease on last year's actual income is primarily as a result of reserves being released in the 2005/06 year. The 31.37% decrease on last year's actual expenditure is primarily as a result of less expenditure on projects, functions and tourism.

Variance from 2006/2007 budget:

The 38.05% increase on the reporting year's budget is primarily as a result of increased investment income and grants received that were not budgeted for. The 13.73% decrease on last year's actual expenditure is primarily as a result of grants being received in the third quarter of the financial year.



3.2 Economic Services

This essentially entails the construction, operation and maintenance of sanitation schemes within the jurisdiction of the municipality.

Details	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	46 067 551	47 839 000	-3.70%	54 332 052	-15.21%
Expenditure	33 081 501	66 805 814	-50.48%	55 082 054	-39.94%
Surplus / (deficit)	12 986 050	(18 966 814)	-168.47%	(750 002)	-
Surplus / (deficit) as % of total income	28.19%	-39.65%		-1.38%	

Variance from 2005/2006 actual:

The 3.70% decrease on last year's actual income is primarily as a result of less consumption of water. The 50.48% decrease on last year's actual expenditure is primarily as a result of increased departmental chargeouts to other services.

Variance from 2006/2007 budget:

The 39.94% decrease on the reporting year's budget is primarily as a result of lower external interest being paid and depreciation charges being expensed, due to loans not being taken up. The 15.21% decrease on the reporting year's budget is primarily as a result of sanitation being subsidised out of prior years' surpluses.

3.3 Trading Services

This entails the construction, operation and maintenance of all water schemes located within the jurisdiction of the municipality.

Details	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Income	163 234 949	162 774 481	0.28%	163 125 521	0.07%
Expenditure	172 322 064	154 678 868	11.41%	164 775 523	4.58%
Surplus / (deficit)	(9 087 115)	8 095 613	-212.25%	(1 650 002)	-
Surplus / (deficit) as % of total income	-5.57%	4.97%		-1.01%	

Variance from 2005/2006 actual:

The expenditure variance is primarily as a result of liabilities, provisions and impairment adjustments arising from GRAP/GAAP compliance initiatives and rebates and subsidies now classified under expenditure.

Variance from 2006/2007 budget:

The expenditure variance of 4.58% is primarily as a result of liabilities, provisions and impairment adjustments arising from GRAP/GAAP compliance initiatives.



4. Financing of Capital Expenditure

The expenditure on Property, Plant and Equipment during the year amounted to R131 282 771 (2006: R89 154 465). Full details of Property, Plant and Equipment are disclosed in Note 9 and Appendices B, C and E(2) to the annual financial statements.

The capital expenditure of R131 282 771 was financed as follows:

Details	Actual 2006/2007 R	Actual 2005/2006 R	Percentage Variance %	Budgeted 2006/2007 R	Variance actual/ budgeted %
Capital Replacement Reserve	25 628 227	1 030 714	2386.45%	39 980 335	-35.90%
External Loans	24 709 630	7 549 590	-	73 893 000	-66.56%
Finance Leases	624 068	2 632 691	-76.30%	-	-
Capitalisation Reserve	-	17 449 881	-100.00%	-	-
Grants and Subsidies	80 320 846	60 418 735	-	131 305 890	-38.83%
Public Contributions	-	72 854	-100.00%	-	-
	131 282 771	89 154 465	47.25%	245 179 225	-46.45%

Source of funding as a percentage of Total Capital Expenditure:

Details	2007	2006
Capital Replacement Reserve	19.52%	1.16%
External Loans	18.82%	8.47%
Finance Leases	0.48%	2.95%
Capitalisation Reserve	-	19.57%
Grants and Subsidies	61.18%	67.77%
Public Contributions	-	0.08%

Property, Plant and Equipment is funded from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.



5. Reconciliation of Budget to Actual

5.1 Operating Budget

Details	2007 R	2006 R
Variance per Category:		
Budgeted surplus before appropriations	(3)	(9 999)
Revenue variances	45 908 060	1 327 610
Expenditure variances:		
Employee Related Costs	1 461 331	(4 957 196)
Remuneration of Councillors	(1 249 772)	(171 324)
Bad Debts	2 825 814	(35 207 307)
Collection Costs	(141 476)	(20 586)
Depreciation	365 717	3 595 891
Impairment losses	(342 008)	(882 857)
Repairs and Maintenance	1 420 099	(2 316 622)
Interest Paid	11 290 083	12 962 288
Bulk Purchases	55 965	(1 762 952)
Contracted Services	4 109 079	2 557 800
Grants and Subsidies Paid	17 359 056	47 295 855
General Expenses	(3 218 783)	17 431 085
Loss on Disposal of Property, Plant and Equipment	(304 526)	-
Actual surplus before appropriations	79 538 636	39 841 688

Details	2007 R	2006 R
Variance per Service Segment:		
Budgeted surplus before appropriations	(3)	(9 999)
Executive and Council	(4 720 102)	3 863 262
Finance and Administration	2 545 007	(1 267 584)
Planning and Development	68 665 493	48 117 209
Public Safety	1 010 195	-
Environmental Protection	290 628	-
Waste Water Management	13 736 052	(18 966 813)
Water	(7 437 113)	8 105 613
Other	5 448 480	-
Actual surplus before appropriations	79 538 636	39 841 688

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix E(1).



5.2 Capital Budget

Details	Actual 2006/2007 R	Actual 2005/2006 R	Variance actual 2007/2006 R	Budgeted 2006/2007 R	Variance actual/ budgeted R
Executive and Council	119 201	393 251	(274 050)	561 856	(442 655)
Finance and Administration	66 962 236	67 960 760	(998 524)	13 951 432	53 010 804
Planning and Development	(87 274)	311 324	(398 598)	58 679 513	(58 766 787)
Public Safety	17 210	76 326	(59 116)	-	17 210
Sport and Recreation	3 355 520	-	3 355 520	-	3 355 520
Environmental Protection	52 516	-	52 516	-	52 516
Waste Water Management	32 113 881	10 247 500	21 866 381	100 025 488	(67 911 607)
Water	28 347 441	10 165 304	18 182 137	71 960 936	(43 613 495)
Other	402 042	-	402 042	-	402 042
	131 282 771	89 154 465	42 128 306	245 179 225	(113 896 454)

Details of the results per segmental classification of capital expenditure are included in Appendix C, together with an explanation of significant variances of more than 5% from budget, are included in Appendix E(2).

6. Capital Replacement Reserve

The balance of the Capital Replacement Reserve as at 30 June 2007 amounted to R109 323 511 (2006: R131 417 067).

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the Reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Change in Net Assets for more detail.

7. Long-term Liabilities

The outstanding amount of Long-term Liabilities as at 30 June 2007 was R76 974 915 (2006: R59 540 887).

New loans to the amount of R22 462 185 (2006: R10 794 574) were taken up during the financial year to enable the municipality to finance part of its capital requirements for the year.

Refer to Note 1 and Appendix A for more detail.



8. Non-current Provisions

Non-current Provisions amounted R20 314 150 as at 30 June 2007 (2006: R12 077 979) and is made up as follows:

Provision for Long-term Service	3 566 064
Provision for Post-retirement Benefits	16 748 086
	<u>20 314 150</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 2 for more detail.

9. Current Liabilities

Current Liabilities amounted R210 442 631 as at 30 June 2007 (2006: R159 046 166) and is made up as follows:

Consumer Deposits	Note 3	15 310 746
Provisions	Note 4	1 011 606
Creditors	Note 5	76 079 399
Unspent Conditional Grants and Receipts	Note 6	108 310 571
Bank Overdraft	Note 17	4 831 089
Current Portion of Long-term Liabilities	Note 1	4 899 219
		<u>210 442 631</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. Property, Plant and Equipment

The net value of Property, Plant and Equipment was R383 516 654 as at 30 June 2007 (2006: R304 965 187).

Refer to Note 8 and Appendices B, C and E(2) for more detail.

11. Investment Property

The value of Investment Property amounts to R24 517 273 as at 30 June 2007 (2006: nil).

This property comprises the Ugu Fresh Produce Market and incorporates wholesalers, retailers and a banana ripening plant. At year-end rental agreements were yet to be finalised.

Refer to Note 9 for more detail.



12. Intangible Assets

The net value of Intangible Assets were R12 505 931 as at 30 June 2007 (2006: R385 448).

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights/ servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 for more detail.

13. Investments

The municipality held Investments to the value of R13 489 923 as at 30 June 2007 (2006: R12 817 734).

These investments are ring-fenced for purposes of the security for and repayment of Long-term Liabilities, with the result that no amounts are available for own purposes.

Refer to Note 11 for more detail.

14. Long-term Receivables

Long-term Receivables of R43 939 at 30 June 2007 (2006: R65 370) is made up as follows:

Officials: Relocation Loans	7 077
Officials: Sundry Loans	48 381
	<hr/> 55 458
Less: Short-term portion included in Current Assets	11 519
	<hr/> 43 939 <hr/>

Refer to Note 12 for more detail.

15. Current Assets

Current Assets amounted R314 267 814 as at 30 June 2007 (2006: R273 502 495) and is made up as follows:

Inventory	Note 13	4 418 732
Consumer Debtors	Note 14	47 754 741
Other Debtors	Note 15	22 809 780
Current Portion of Long-term Debtors	Note 12	11 519
Short-term Investment Deposits	Note 16	196 594 384
Bank Balances and Cash	Note 17	26 814 698
VAT	Note 7	15 863 961
		<hr/> 314 267 814 <hr/>

The Short-term Investment Deposits are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the Current Portion of Long-term Liabilities and no funds are available for own purposes.

Refer to the indicated Notes for more detail.



16. Inter-governmental Grants

The municipality plays an important role in the upliftment of the poor and the sustaining and improving of infrastructure for all its citizens for which it uses grants received from Government and other organisations, and has a huge responsibility as custodian of these funds.

Refer to Notes 6 and 19, and Appendix F for more detail.

17. Events after the Reporting Date

Full details of all known events after the reporting date are disclosed in Note 40.

18. Generally Recognised Accounting Practice (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the annual financial statements have been converted to the new reporting (GRAP) format.

The unbundling process was carried out as at 30 June 2006 and the intention was to furnish as much information as possible to ascertain a transparent disclosure of the conversion process.

19. Expression of Appreciation

I am grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Audit Committee, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff who assisted with the collation of year-end information, for without their assistance these annual financial statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2007



Statement of Financial Position at 30 June 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net Assets		440 609 839	361 071 203
Capital Replacement Reserve		109 323 511	131 417 067
Capitalisation Reserve		83 056 049	93 096 628
Government Grant Reserve		206 581 123	131 695 368
Donations and Public Contribution Reserves		9 668 340	9 892 747
Accumulated Surplus / (Deficit)		31 980 815	(5 030 607)
Non-Current Liabilities		97 289 065	71 618 866
Long-term Liabilities	1	76 974 915	59 540 887
Non-current Provisions	2	20 314 150	12 077 979
Current Liabilities		210 442 631	159 046 166
Consumer Deposits	3	15 310 746	13 423 837
Provisions	4	1 011 606	902 091
Creditors	5	76 079 399	62 344 333
Unspent Conditional Grants and Receipts	6	108 310 571	70 094 360
Bank Overdraft	17	4 831 089	-
Current Portion of Long-term Liabilities	1	4 899 219	12 281 545
Total Net Assets and Liabilities		748 341 535	591 736 234
ASSETS			
Non-Current Assets		434 073 720	318 233 739
Property, Plant and Equipment	8	383 516 654	304 965 187
Investment Property	9	24 517 273	-
Intangible Assets	10	12 505 931	385 448
Investments	11	13 489 923	12 817 734
Long-term Receivables	12	43 939	65 370
Current Assets		314 267 814	273 502 495
Inventory	13	4 418 732	3 446 233
Consumer Debtors	14	47 754 741	33 551 581
Other Debtors	15	22 809 780	16 380 922
Current Portion of Long-term Debtors	12	11 519	32 966
Short-term Investment Deposits	16	196 594 384	199 942 604
Bank Balances and Cash	17	26 814 698	12 273 250
VAT	7	15 863 961	7 874 939
Total Assets		748 341 535	591 736 234



Statement of Financial Performance

for the year ended 30 June 2007

Budget		
2006	2007	
R	R	
165 741 612	180 638 118	REVENUE
19 000 000	-	Service Charges
14 075 086	-	Regional Service Levies – Turnover
278 000	908 152	Regional Service Levies – Remuneration
6 961 621	6 400 000	Rental of Facilities and Equipment
362 482	842 205	Interest Earned – External Investments
200 399 185	142 451 106	Interest Earned – Outstanding Debtors
28 783 532	28 307 768	Government Grants and Subsidies
-	-	Other Income
-	-	Public Contributions and Donations
		Gains on Disposal of Property, Plant and Equipment
435 601 518	359 547 349	Total Revenue
94 440 478	116 653 302	EXPENDITURE
3 249 340	4 339 536	Employee Related Costs
3 000 000	3 750 000	Remuneration of Councillors
750 000	-	Bad Debts
14 090 076	25 518 241	Collection Costs
-	-	Depreciation
10 141 850	15 267 761	Impairment Losses
21 376 594	17 228 756	Repairs and Maintenance
9 000 000	12 634 739	Interest Paid
9 770 581	12 110 404	Bulk Purchases
205 426 853	89 334 209	Contracted Services
64 365 745	62 710 404	Grants and Subsidies Paid
-	-	General Expenses
		Loss on disposal of Property, Plant and Equipment
435 611 517	359 547 352	Total Expenditure
(9 999)	(3)	SURPLUS / (DEFICIT) FOR THE YEAR

Refer to Appendix E(1) for explanation of variances.



	Note	2007 R	Actual 2006 R
	18	181 727 152	182 934 973
		175 943	16 669 261
		2 760 242	11 171 736
		247 911	187 942
		17 922 583	13 334 711
		952 125	616 575
	19	178 450 687	185 743 805
	20	22 837 951	26 197 272
		-	72 854
		380 815	-
		<u>405 455 409</u>	<u>436 929 128</u>
	21	115 191 971	99 397 674
	22	5 589 308	3 420 664
		924 186	38 207 307
		141 476	770 586
		25 152 524	10 494 185
		342 008	882 857
		13 847 662	12 458 472
	23	5 938 673	8 414 306
	24	12 578 774	10 762 952
		8 001 325	7 212 781
	25	71 975 153	158 130 998
		65 929 187	46 934 660
		304 526	-
		<u>325 916 773</u>	<u>397 087 440</u>
		<u>79 538 636</u>	<u>39 841 688</u>



Statement of Changes in Net Assets for the year ended 30 June 2007

Description	Pre-GAMAP Reserves and Funds R	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R
30 June 2006	-	-	(107 343 302)	(85 497 632)
Balance at 30 June 2005	-	-	107 343 302	85 497 632
Change in Accounting Policy (Note 27)	-	-	-	-
Correction of Error (Note 28)	-	-	-	-
Restated Balance	-	-	107 343 302	85 497 632
Surplus / (Deficit) for the year	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-
Funds utilised to finance PPE	-	-	-	-
Transfer to CRR	-	-	15 000 000	-
Property, Plant and Equipment purchased	-	-	(1 073 568)	-
Contributions / Grants used to purchase PPE	-	-	-	17 449 881
Donated / Contributed PPE	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-
Insurance claims processed	-	-	-	-
Interest received	-	-	10 147 332	-
Asset disposals	-	-	-	-
Offsetting of Depreciation	-	-	-	(9 850 885)
Balance at 30 June 2006	-	-	131 417 067	93 096 628
30 June 2007				
Change in Accounting Policy (Note 27)				
Correction of Error (Note 28)				
Restated Balance	-	-	131 417 067	93 096 628
Surplus / (Deficit) for the year	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-
Funds utilised to finance PPE	-	-	-	-
Transfer to CRR	-	-	15 000 000	-
Property, Plant and Equipment purchased	-	-	(48 264 007)	-
Contributions / Grants used to purchase PPE	-	-	-	-
Donated / Contributed PPE	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-
Insurance claims processed	-	-	-	-
Interest received	-	-	11 170 451	-
Asset disposals	-	-	-	-
Offsetting of Depreciation	-	-	-	(10 040 578)
Balance at 30 June 2007	-	-	109 323 511	83 056 049



Government Grant Reserve R	Donations and Public Contributions Reserve R	Self Insurance Reserve R	Revaluation Reserve R	Accumulated Surplus / (Deficit) R	Total R
(76 830 856)	(10 783 699)			(48 402 213)	
76 830 856	10 783 699	-	-	48 402 213	328 857 702
-	-	-	-	-	-
-	-	-	-	(7 628 187)	(7 628 187)
-	-	-	-	-	-
76 830 856	10 783 699	-	-	40 774 025	321 229 515
-	-	-	-	39 841 688	39 841 688
-	-	-	-	-	-
-	-	-	-	(15 000 000)	-
-	-	-	-	1 073 568	-
60 418 735	72 854	-	-	(77 941 470)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(10 147 332)	-
-	-	-	-	-	-
(5 554 224)	(963 805)	-	-	16 368 914	-
-	-	-	-	-	-
131 695 368	9 892 747	-	-	(5 030 607)	361 071 203
-	-	-	-	-	-
-	-	-	-	-	-
131 695 368	9 892 747	-	-	(5 030 607)	361 071 203
-	-	-	-	79 538 636	79 538 636
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(15 000 000)	-
-	-	-	-	48 264 007	-
74 579 400	-	-	-	(74 579 400)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(11 170 451)	-
-	-	-	-	-	-
306 356	(224 407)	-	-	9 958 629	-
-	-	-	-	-	-
206 581 123	9 668 340	-	-	31 980 815	440 609 839



Cash Flow Statement

for the year ended 30 June 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, Government and other		424 751 891	491 357 765
Cash paid to suppliers and employees		(298 996 315)	(376 045 785)
Cash generated from / (utilised in) operations	29	<u>125 755 576</u>	<u>115 311 980</u>
Dividends received		-	-
Interest received		18 874 708	13 951 286
Interest paid		(5 938 673)	(8 414 306)
NET CASH FROM OPERATING ACTIVITIES		<u>138 691 610</u>	<u>120 848 960</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in investment properties	9	(5 324 628)	-
Purchase of Intangible Assets	10	(8 074 125)	(42 854)
Purchase of Property, Plant and Equipment	8	(131 282 771)	(89 154 465)
Proceeds on disposal of Property, Plant and Equipment		1 042 750	-
(Increase) / decrease in Non-current Receivables	12	42 878	10 895
(Increase) / decrease in Non-current Investments	11	(672 189)	4 547 864
(Increase) / decrease in current investments	16	3 348 220	(22 560 341)
NET CASH FROM INVESTING ACTIVITIES		<u>(140 919 865)</u>	<u>(107 198 900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)	1	10 051 703	(12 863 278)
Increase / (decrease) in consumer deposits	3	1 886 910	999 944
NET CASH FROM FINANCING ACTIVITIES		<u>11 938 613</u>	<u>(11 863 335)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	30	<u>9 710 359</u>	<u>1 786 725</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>12 273 250</u>	<u>10 486 525</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>21 983 609</u>	<u>12 273 250</u>



Accounting Policies to the Annual Financial Statements for the year ended 30 June 2007

1. Basis of Presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005.

The Standards are summarised as follows:

Standard No.	Standard Title
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

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

The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

Standard No.	Standard Title	GRAP, GAMAP and/or GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GAMAP 12	Inventories	<ul style="list-style-type: none"> • The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17. • The entire standard as far as it relates to water stock that was not purchased by the municipality.
GAMAP 17	Property, Plant and Equipment	<ul style="list-style-type: none"> • Review of useful life of items of Property, Plant and Equipment recognised in the annual financial statements (GAMAP 17.69 – 61 and 77).
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> • Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11).
IAS 19 (AC 116)	Employee Benefits	<ul style="list-style-type: none"> • Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q)).
IAS 38 (AC 129)	Intangible Assets	<ul style="list-style-type: none"> • The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed.
IAS 40 (AC 135)	Investment Property	<ul style="list-style-type: none"> • The entire standard to the extent that the property is accounted for in terms of GAMAP 17.



A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

2. Presentation Currency

These annual financial statements are presented in the South African Rand.

3. Going Concern Assumption

These Annual Financial Statements have been prepared on a going concern basis.

4. Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP.

5. Reserves

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council resolution dated 30 August 2006. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus / (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus / (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from Government grants, a transfer is made from the accumulated surplus / (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of Government Grant funded items of property, plant and equipment are offset by transfers from this Reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus / (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions



recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus / (deficit).

6. Property, Plant and Equipment

6.1 Fixed Assets

Property, plant and equipment is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Examples of subsequent expenditure which should be capitalised are the enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold will be determined annually during the budget process.

All assets of the Municipality are verified annually in terms of Council's Asset Management Policy to:

- Physically identify all assets.
- Determine assets to be written-off.
- Determine obsolete assets.
- Determine changes in the estimated useful lives of assets.
- Determine impairment losses on assets.

6.2 Depreciation

Depreciation is calculated on cost, using the straight-line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Asset	Years	Asset	Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
		Bins and Containers	5
Community		Specialised Plant and Equipment	10-15
Improvements	30	Other Plant and Equipment	2-5
Recreational Facilities	20-30		
Security	5		

The estimated useful lives and the depreciation methods were not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 552 of 2007.



6.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

6.2.2 Incomplete Construction Work

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

6.2.3 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6.3 Disposal of Property, Plant and Equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The Municipality should assess at each reporting date whether there is any indication that any items of property, plant and equipment may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred. However, for the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 552 of 2007.

7. Intangible Assets

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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

Intangible assets are annually tested for impairment.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

8. Investment Property

Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 50 years.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

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



9. Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

9.1 Financial Assets

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

- Listed Investments (Shares)
- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash
- VAT

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

Type of Financial Asset	Classification in terms of IAS 39.09
	Financial Assets
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Available for sale
VAT	Loans and receivables

9.2 Financial Liabilities

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

- Long-term Liabilities
- Provisions
- Creditors
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits

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

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities')

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



Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the financial liabilities of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors are stated at their nominal value.

9.3 Measurement

Financial instruments are in the current and prior years recognised and measured at cost. The requirements of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value have been exempted in terms of General Notice 552 of 2007.

Financial Assets

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets at fair value and available-for-sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities

Financial liabilities that are not held-for-trading are measured at amortised cost using the effective interest rate method.

9.4 Impairment of Financial Assets

At each balance sheet date an assessment is made whether there is any objective evidence of impairment of financial assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Consumer Debtors are stated at invoice value less a provision for bad debts. The provision is made for all debtors that are older than 90 days as all debtors are regarded as having similar credit risks. Debtors for Water Rates are excluded, since the property is attached to outstanding debt, securing the municipality's interest.

Loans and Receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

10. Inventories

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs and distribution networks at year end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

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

11. Revenue recognition

Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General Notice 552 of 2007.



11.1 Revenue from Exchange Transactions

11.1.1 Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year end when estimates of consumption up to year end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on tariffs approved by Council and are levied monthly.

11.1.2 Interest Earned

Interest and rentals are recognised on a time proportion basis.

11.1.3 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement.

11.1.4 Tariff Charges

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

11.1.5 Income from Agency Services

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

11.1.6 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.1.7 Government Grants and Public Contributions

Revenue from Government Grants and public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where government grants and public contributions have been received but the municipality has not met the condition, a liability is recognised. The requirements of IAS 20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of General Notice 552 of 2007.

A Government Grant related to a Non-current Asset with a useful life (e.g. property, plant and equipment, intangible assets, etc.), including non-monetary grants at fair value, are presented in the Statement of Financial Position as deferred income that is recognised as income on a systematic and rational basis over the useful life of the asset.

11.2 Revenue from Non-exchange Transactions

11.2.1 Donations and Contributions

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

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



11.2.2 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. Conditional Grants and Receipts

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

13. Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

14. Post Retirement Benefits

14.1 General

The Municipality provides retirement benefits for its employees.

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. *A defined contribution plan* is a plan under which the municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Contributions to defined contribution retirement benefit funds are recognised as an expense when employees have rendered employment service or served office entitling them to the contributions.

In the 2005/2006 Annual Financial Statements the defined benefit plans of the municipality was treated as a defined contribution plan, whereas in the 2006/2007 year the municipality adhered to the requirements of IAS19.

Own administered defined benefit plan:

The defined benefit obligation, the related current cost and where applicable, past-service cost, is determined by using the projected unit credit method. The last actuarial valuations for both the Long-service Bonus Liability and the Medical Aid Liability for current and continuation members of the municipality were performed as at 30 June 2007.

A portion of the actuarial gains and losses is recognised as revenue or expense, provided the net cumulative actuarial gains and losses at the end of the previous reporting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- 10% of the fair value.

The portion of the actuarial gains and losses to be recognised is equal to the excess calculated, using the above limits and divided by the expected average remaining working lives of employees participating in the plan. Unvested past-service cost is recognised as an expense on the straight-line basis over the average period until the benefits become vested, while vested past-service costs are recognised as an expense in the Statement of Financial Performance.

Provincially administered defined benefit plan:

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.



14.2 Medical Aid: Continued Members

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the Munimed Medical Aid Fund, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The other medical aid funds, with which the Municipality is associated, do not provide for continued membership.

15. Leases

15.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

15.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

16. Borrowing Costs

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

17. Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis.

18. Cash and Cash Equivalents

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

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

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

19. Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



20. Irregular Expenditure

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

21. Fruitless And Wasteful Expenditure

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

22. Foreign Currencies

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

23. Comparative Information

23.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

23.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.



Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	R	R
1 LONG-TERM LIABILITIES		
Local Registered Stock	22 944 081	22 944 081
Annuity Loans	56 160 209	35 477 283
Capitalised Lease Liabilities	2 769 845	13 401 067
Sub-total	81 874 135	71 822 431
Less: Current Portion transferred to Current Liabilities	4 899 219	12 281 545
Local Registered Stock	2 644 081	-
Annuity Loans	1 188 339	1 308 417
Capitalised Lease Liabilities	1 066 800	10 973 128
Total Long-term Liabilities	76 974 915	59 540 887

(Refer to Appendix A for more detail on Long-term Liabilities.)

The Capitalised Lease Liabilities are in respect of infrastructure assets and vehicles. The liability for infrastructure is secured over the items of infrastructure leased.

R13 489 923 (2006: R22 912 069) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Note 31 for more detail.

2 NON-CURRENT PROVISIONS		
Provision for Long-term Service	3 566 064	2 584 038
Provision for Post-retirement Benefits	16 748 086	9 493 941
Total Non-current Provisions	20 314 150	12 077 979

Refer to Note 45 to the Financial Statements, "Other Defined Benefit Plan Information", for more information regarding the provisions for Post-retirement Health Care Benefits and Long-term Service Allowances.



Notes to the Financial Statements for the year ended 30 June 2007

The movement in non-current provisions is reconciled as follows:

	Illegal Dumping	Alien Vegetation	Long-term Service	Post-retirement	Land-fill Sites
30 June 2007					
Balance at beginning of year	-	-	2 584 038	9 493 941	-
Contributions to provision	-	-	1 372 690	7 875 087	-
Transfer to current provisions	-	-	(390 664)	(620 942)	-
Balance at end of year	-	-	3 566 064	16 748 086	-
30 June 2006					
Balance at beginning of year	-	-	-	-	-
Contributions to provision	-	-	3 056 841	9 923 229	-
Transfer to current provisions	-	-	(472 803)	(429 288)	-
Balance at end of year	-	-	2 584 038	9 493 941	-

	2007 R	2006 R
3 CONSUMER DEPOSITS		
Water	15 310 746	13 423 837
Total Consumer Deposits	15 310 746	13 423 837
Guarantees held in lieu of Water Deposits	522 113	554 463
4 PROVISIONS		
Current Portion of Non-current Provisions (See Note 2):	1 011 606	902 091
Long-term Service	390 664	472 803
Post-retirement Benefits	620 942	429 288
Total Provisions	1 011 606	902 091

Refer to Note 45 to the Financial Statements, "Other Defined Benefit Plan Information", for more information regarding the provisions for Post-retirement Health Care Benefits and Long-term Service Allowances.

The movement in current provisions is reconciled as follows:

Performance Bonus

Balance at beginning of year	-	332 806
Contributions to provision	-	234 894
Expenditure incurred	-	(567 700)
Balance at end of year	-	-



Notes to the Financial Statements for the year ended 30 June 2007

The movement in the current portion of non-current provision is reconciled as follows:

	Illegal Dumping	Alien Vegetation	Long-term Service	Post-retirement	Land-fill Sites
30 June 2007					
Balance at beginning of year	-	-	472 803	429 288	-
Transfer from non-current	-	-	390 664	620 942	-
Expenditure incurred	-	-	(472 803)	(429 288)	-
Balance at end of year	-	-	390 664	620 942	-
30 June 2006					
Balance at beginning of year	-	-	-	-	-
Transfer from non-current	-	-	472 803	429 288	-
Expenditure incurred	-	-	-	-	-
Balance at end of year	-	-	472 803	429 288	-

	2007 R	2006 R
5 CREDITORS		
Trade Creditors	22 510 213	9 935 100
Payments received in Advance	15 058 418	8 122 349
Retentions	3 200 680	1 353 898
Staff Leave	4 731 584	3 890 300
Projects	8 879 788	25 955 927
Other Creditors	21 698 716	13 086 760
Total Creditors	76 079 399	62 344 333
6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>6.1 Conditional Grants from Other Spheres of Government</i>	84 335 577	64 031 753
National Government Grants	58 575 776	49 212 678
Provincial Government Grants	24 577 511	13 609 241
Other Sources	1 182 290	1 209 833
<i>6.2 Other Conditional Receipts</i>	23 974 994	6 062 607
Developers' Contributions	23 974 994	6 062 607
Total Conditional Grants and Receipts	108 310 571	70 094 360
See Note 19 for the reconciliation of grants from other spheres of government.		
The amount for unspent conditional grants and receipts are invested in ring-fenced investment accounts until utilised.		
7 VAT		
VAT Receivable / (Payable)	15 863 961	7 874 939

VAT is payable on the cash basis. Only once payment is received from debtors, is the VAT paid over to the South African Revenue Services (SARS).



Notes to the Financial Statements
for the year ended 30 June 2007

8 PROPERTY, PLANT AND EQUIPMENT

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

30 June 2007

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community
	R	R	R
Carrying values at 1 July 2006	14 775 663	243 000 219	21 691 164
Cost	19 276 988	379 053 609	22 293 114
Correction of error (Note 33)	-	-	-
Revaluation	-	-	-
Impairment Losses	-	(30 683)	-
Accumulated Depreciation:	(4 501 325)	(136 022 707)	(601 950)
- Cost	(4 501 325)	(136 022 707)	(601 950)
- Revaluation	-	-	-
Acquisitions	4 582 632	110 898 781	-
Capital under Construction	-	-	-
Increases / Decreases in revaluation	-	-	-
Depreciation:	(570 667)	(18 596 845)	(111 057)
- based on cost	(570 667)	(18 596 845)	(111 057)
- based on revaluation	-	-	-
Carrying value of disposals:	(367 449)	(1 690)	(19 192 645)
Cost / Revaluation	(367 449)	(11 267)	(19 192 645)
Accumulated Impairment Losses	-	-	-
Accumulated Depreciation	-	9 578	-
Impaired Losses	(374 325)	5 461	-
Other Movements	-	-	-
Carrying values at 30 June 2007	18 045 854	335 305 926	2 387 462
Cost	23 492 171	489 941 122	3 100 469
Revaluation	-	-	-
Accumulated Impairment Losses	(374 325)	(25 222)	-
Accumulated Depreciation:	(5 071 992)	(154 609 974)	(713 007)
- Cost	(5 071 992)	(154 609 974)	(713 007)



	Heritage	Other	Housing Development Fund	Leased Infrastructure	Total
	R	R	R	R	R
	-	25 498 141	-	-	304 965 187
	-	58 095 633	-	-	478 719 344
	-	-	-	-	-
	-	-	-	-	-
	-	(852 174)	-	-	(882 857)
	-	(31 745 319)	-	-	(172 871 301)
	-	(31 745 319)	-	-	(172 871 301)
	-	-	-	-	-
	-	15 801 358	-	-	131 282 771
	-	-	-	-	-
	-	-	-	-	-
	-	(3 653 100)	-	-	(22 931 668)
	-	(3 653 100)	-	-	(22 931 668)
	-	-	-	-	-
	-	(9 895 844)	-	-	(29 457 629)
	-	(19 801 092)	-	-	(39 372 454)
	-	124 472	-	-	124 472
	-	9 780 775	-	-	9 790 353
	-	26 856	-	-	(342 008)
	-	-	-	-	-
	-	27 777 411	-	-	383 516 654
	-	54 095 900	-	-	570 629 662
	-	-	-	-	-
	-	(700 845)	-	-	(1 100 392)
	-	(25 617 643)	-	-	(186 012 616)
	-	(25 617 643)	-	-	(186 012 616)



Notes to the Financial Statements
for the year ended 30 June 2007

30 June 2006

Reconciliation of Carrying Value

Description	Land and Buildings	Infrastructure	Community
	R	R	R
Carrying values at 1 July 2005	14 972 677	184 592 897	9 451 153
Cost	18 919 809	316 584 608	9 905 407
Revaluation	-	-	-
Impairment Losses	-	-	-
Accumulated Depreciation:	(3 947 132)	(131 991 711)	(454 255)
- Cost	(3 947 132)	(131 991 711)	(454 255)
- Revaluation	-	-	-
Acquisitions	357 179	62 469 001	12 387 707
Capital under Construction	-	-	-
Increases / Decreases in revaluation	-	-	-
Depreciation:	(554 193)	(4 030 995)	(147 696)
- based on cost	(554 193)	(4 030 995)	(147 696)
- based on revaluation	-	-	-
Carrying value of disposals:	-	-	-
Cost / Revaluation	-	-	-
Accumulated Depreciation	-	-	-
Impaired Losses	-	(30 683)	-
Other Movements	-	-	-
Carrying values at 30 June 2006	14 775 663	243 000 219	21 691 164
Cost	19 276 988	379 053 609	22 293 114
Correction of error (Note 33)	-	-	-
Revaluation	-	-	-
Accumulated Impairment Losses	-	(30 683)	-
Accumulated Depreciation:	(4 501 325)	(136 022 707)	(601 950)
- Cost	(4 501 325)	(136 022 707)	(601 950)
- Revaluation	-	-	-

(Refer to Appendices B, C and E (2) for more detail on Property, Plant and Equipment, including those in the course of construction.) The leased property, plant and equipment is secured as set out in Note 1.



Heritage	Other	Housing Development Fund	Leased Infrastructure	Total
R	R	R	R	R
-	18 171 038	-	-	227 187 764
-	44 155 055	-	-	389 564 880
-	-	-	-	-
-	-	-	-	-
-	(25 984 018)	-	-	(162 377 116)
-	(25 984 018)	-	-	(162 377 116)
-	-	-	-	-
-	13 940 577	-	-	89 154 465
-	-	-	-	-
-	-	-	-	-
-	(5 761 301)	-	-	(10 494 185)
-	(5 761 301)	-	-	(10 494 185)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(852 174)	-	-	(882 857)
-	-	-	-	-
-	25 498 141	-	-	304 965 187
-	58 095 633	-	-	478 719 344
-	-	-	-	-
-	-	-	-	-
-	(852 174)	-	-	(882 857)
-	(31 745 319)	-	-	(172 871 301)
-	(31 745 319)	-	-	(172 871 301)
-	-	-	-	-



Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	R	R

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment of Property, Plant and Equipment

Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.

The total amount of R342 008 (2006: R882 857) disclosed for impairment losses on property, plant and equipment includes an individual material amount of impairment losses applicable to a Water Services Department building damaged when a fire broke out. Cumulative impairment losses for the following significant account balances are included therein:

Land and Buildings	374 325	-
Infrastructure: Roads	10 423	-
Infrastructure: Sewerage	14 799	-
Infrastructure: Water	(30 683)	30 683
Other Assets: Emergency Equipment	1 810	-
Other Assets: Furniture and Fittings	27 767	-
Other Assets: Motor Vehicles	(3 913)	50 314
Other Assets: Office Equipment	(68 404)	723 404
Other Assets: Plant and Equipment	15 885	-
Other Assets: Other Items	-	78 456
Total Impairment of Property, Plant and Equipment	342 008	882 857

Change in Estimate – Useful Life of Property, Plant and Equipment reviewed

There was no change (2006: R11 934 656) in the estimated useful life of various assets of the municipality for the mentioned departments for the financial year 2006/2007:

Executive and Council	-	63 886
Finance and Administration	-	917 376
Planning and Development	-	105 634
Water	-	10 847 760
Total Change in Estimate for Useful Life of Property, Plant and Equipment	-	11 934 656



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
9 INVESTMENT PROPERTY		
Carrying values as at 1 July 2006	-	-
Cost	-	-
Acquisitions during the year	5 324 628	-
Disposals / Transfers during the year: at Cost	19 192 645	-
Carrying values at 30 June 2007	24 517 273	-
Cost	24 517 273	-

(Refer to Appendix B for more detail on Investment Property.)

Revenue earned from Investment Property is disclosed in the Statement of Financial Performance.

10 INTANGIBLE ASSETS

Carrying values at 1 July 2006	385 448	342 595
Cost	385 448	342 595
Accumulated Amortisation	-	-
Accumulated Impairment	-	-
Acquisitions during the year	8 074 125	42 854
Amortisation during the year	(2 220 855)	-
Impaired Losses during the year	-	-
Disposals / Transfers during the year: At Cost	6 267 213	-
At Accumulated Amortisation	5 811 802	-
At Accumulated Impairment	-	-
Carrying values at 30 June 2007	12 505 931	385 448
Cost	14 271 375	385 448
Accumulated Amortisation	(2 220 855)	-
Accumulated Impairment	455 412	-

(Refer to Appendix B for more detail on Intangible Assets.)

11 INVESTMENTS

Financial Instruments		
Fixed Deposits	13 489 923	12 817 734
Total Investments	13 489 923	12 817 734

Fixed Deposits of R13 489 923 (2006: R12 817 734) are ring-fenced for the purposes of repaying Long-term Liabilities as set out in Note 31.



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
12 LONG-TERM RECEIVABLES		
Officials: Relocation Loans	7 077	43 955
Sundry Loans	48 381	54 381
	<u>55 458</u>	<u>98 336</u>
Less: Current Portion transferred to Current Receivables	11 519	32 966
Officials: Relocation Loans	5 519	26 966
Sundry Loans	6 000	6 000
	<u>43 939</u>	<u>65 370</u>
Total Long-term Receivables	43 939	65 370

Relocation Loans

Relocation Loans granted to officials are expensed after 36 months' service in the Municipality. A pro rata amount is recovered should an official leave the service of the Municipality within the 36 month period.

Sundry Loans

A Sundry Loan was granted to an official for damages caused to municipal property. The debt is repaid by monthly deductions of R500.

13 INVENTORY		
Maintenance materials – at cost	3 345 428	2 939 889
Water – at cost	826 560	506 344
Other Goods held for resale – at cost	246 744	-
	<u>4 418 732</u>	<u>3 446 233</u>
Total Inventory	4 418 732	3 446 233

14 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balances
30 June 2007			
Service Debtors:	65 513 974	22 296 048	43 217 926
Sewerage	11 083 451	3 925 525	7 157 926
Water	54 430 523	18 370 523	36 060 000
Other Trade Debtors	4 536 815	-	4 536 815
	<u>70 050 789</u>	<u>22 296 048</u>	<u>47 754 741</u>
Total Consumer Debtors	70 050 789	22 296 048	47 754 741
30 June 2006			
Service Debtors:	55 594 815	22 043 233	33 551 581
Sewerage	7 399 417	2 764 632	4 634 785
Water	48 195 398	19 278 601	28 916 797
Other Trade Debtors	-	-	-
	<u>55 594 815</u>	<u>22 043 233</u>	<u>33 551 581</u>
Total Consumer Debtors	55 594 815	22 043 233	33 551 581



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
Current (0-30 days)	6 126 568	3 738 390
31-60 Days	595 437	576 874
61-90 Days	435 921	319 521
+ 90 Days	3 925 525	2 764 632
Total	11 083 451	7 399 417

Water: Ageing

Current (0-30 days)	18 445 124	18 254 970
31-60 Days	2 371 550	2 128 925
61-90 Days	1 678 015	1 278 977
+ 90 Days	31 935 834	26 532 526
Total	54 430 523	48 195 398

Summary of Debtors by Customer Classification

The Customer Classification cannot be provided as the computerised accounting system used by the municipality is not programmed to generate reports in this format.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	22 043 233	17 430 454
Contribution / (Reversal) to provision	924 186	4 596 712
Bad Debts recovered	32 654	16 068
Bad Debts written off	(704 024)	-
Balance at end of year	22 296 048	22 043 233

15 OTHER DEBTORS

Payments made in Advance	-	58 316
Short Term Loans	-	309 168
Sundry Deposits	386 440	313 586
Sundry Debtors	18 935 060	15 892 113
Government Subsidy Claims	35 133 772	33 418 334
	54 455 272	49 991 517
Less: Provision for Bad Debts	(31 645 492)	(33 610 595)
Total Other Debtors	22 809 780	16 380 922



Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	R	R
<p>The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.</p> <p>The total amount of the provision for doubtful debts created is R31 645 492 (2006: R33 610 595) and the following loans and receivables are included therein:</p>		
Government Subsidy Claims	26 876 385	26 876 385
Other	60 494	60 494
Total Provision for Bad Debts on Other Debtors	31 645 492	33 610 595
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	33 610 595	-
Contribution / (Reversal) to provision	-	33 610 595
Bad Debts recovered	-	-
Bad Debts written off	(1 965 103)	-
Balance at end of year	31 645 492	33 610 595
16 SHORT-TERM INVESTMENT DEPOSITS		
Call Deposits	55 177 404	28 848 269
Notice Deposits	140 325 784	161 000 000
Short-term Portion of Investments	1 091 195	10 094 335
Total Short-term Investment Deposits	196 594 384	199 942 604

Deposits of R91 232 539 (2006: R70 094 360) are ring-fenced and attributable to Unspent Conditional Grants.

Deposits of R104 323 511 (2006: R105 466 406) are ring-fenced and attributable to the Capital Replacement Reserve.

R1 018 334 (2006: R10 094 335) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See Note 31 for more detail.



Notes to the Financial Statements

for the year ended 30 June 2007

	2007 R	2006 R
17 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
Absa Bank – Port Shepstone		
<i>Account Number 406 668 6529 (Primary Bank Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	186 423	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	186 423	-
<i>Account Number 406 668 6472 (General Bank Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	(4 815 248)	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	1 658 789	-
Cash book balance at beginning of year	-	-
Cash book balance at end of year	2 597 424	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	2 597 424	-
<i>Account Number 406 660 3763 (Salaries Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	(15 750)	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	29 055	-
<i>Account Number 406 757 0977 (Sanlam Group Life Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	(91)	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	(91)	-
<i>Account Number 406 668 6367 (MIG Project Account):</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	17 078 032	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	19 699 104	-



Notes to the Financial Statements

for the year ended 30 June 2007

	2007 R	2006 R
First National Bank – Port Shepstone		
<i>Account Number 534 8085 2369 (Primary Bank Account):</i>		
Cash book balance at beginning of year	1 485 564	2 806 143
Cash book balance at end of year	<u>2 864 731</u>	<u>1 485 564</u>
Bank statement balance at beginning of year	9 982 224	13 116 396
Bank statement balance at end of year	<u>2 957 045</u>	<u>9 982 224</u>
<i>Account Number 620 1194 3398 (ACB Deposits Account):</i>		
Cash book balance at beginning of year	471 936	440 556
Cash book balance at end of year	<u>1 093 479</u>	<u>471 936</u>
Bank statement balance at beginning of year	471 936	440 556
Bank statement balance at end of year	<u>1 093 479</u>	<u>471 936</u>
<i>Account Number 534 8801 7494 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	673 225	150 600
Cash book balance at end of year	<u>730 150</u>	<u>673 225</u>
Bank statement balance at beginning of year	673 225	228 382
Bank statement balance at end of year	<u>730 150</u>	<u>673 225</u>
Cash book balance at beginning of year	470 965	46 762
Cash book balance at end of year	<u>-</u>	<u>470 965</u>
Bank statement balance at beginning of year	534 958	93 831
Bank statement balance at end of year	<u>-</u>	<u>534 958</u>
<i>Account Number 620 1101 7680 (Levy Deposits Account):</i>		
Cash book balance at beginning of year	432 660	377 817
Cash book balance at end of year	<u>-</u>	<u>432 660</u>
Bank statement balance at beginning of year	432 660	377 817
Bank statement balance at end of year	<u>-</u>	<u>432 660</u>
<i>Account Number 620 4701 3157 (CMIP Grant Account):</i>		
Cash book balance at beginning of year	-	1 040 464
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	1 040 464
Bank statement balance at end of year	<u>-</u>	<u>-</u>



Notes to the Financial Statements

for the year ended 30 June 2007

	2007 R	2006 R
Cash book balance at beginning of year	-	(25)
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	(25)
Bank statement balance at end of year	-	-
<i>Account Number 534 8109 8673 (Ugu RDP DWAF Project Account):</i>		
Cash book balance at beginning of year	7 509 503	2 413 589
Cash book balance at end of year	-	7 509 503
Bank statement balance at beginning of year	9 836 165	2 413 589
Bank statement balance at end of year	9 836 165	9 836 165
<i>Account Number 620 5649 9653 (Afrisun Project Account):</i>		
Cash book balance at beginning of year	38 973	39 478
Cash book balance at end of year	-	38 973
Bank statement balance at beginning of year	38 973	39 478
Bank statement balance at end of year	-	38 973
<i>Account Number 620 3279 1289 (Ezinqolweni Taxi Disaster Account):</i>		
Cash book balance at beginning of year	6 991	7 321
Cash book balance at end of year	-	6 991
Bank statement balance at beginning of year	6 991	7 321
Bank statement balance at end of year	-	6 991
Standard Bank – Port Shepstone Branch		
<i>Account Number 05 330 000 9 (Direct Deposits Account):</i>		
Cash book balance at beginning of year	56 052	39 738
Cash book balance at end of year	11 420	56 052
Bank statement balance at beginning of year	56 052	39 738
Bank statement balance at end of year	11 420	56 052
<i>Account Number 05 330 662 7 (Group Life Scheme Account):</i>		
Cash book balance at beginning of year	884 377	2 994 724
Cash book balance at end of year	1 696 723	884 377
Bank statement balance at beginning of year	884 377	2 994 724
Bank statement balance at end of year	1 696 778	884 377
Bank statement balance at beginning of year	-	26 620
Bank statement balance at end of year	-	-



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
Cash Floats and Advances	556 315	243 004
Other Cash Equivalents	-	-
Cash on hand in Cash Floats and Advances	556 315	243 004
Total Bank and Cash	26 814 698	12 273 250
Total Overdraft	(4 831 089)	-
Total Bank and Cash	21 983 609	12 273 250

Bank Accounts of R62 429 361 (2006: R47 509 503) are ring-fenced and attributable to Unspent Conditional Grants.

Bank Accounts of R5 000 000 (2006: nil) are ring-fenced and attributable to the Capital Replacement Reserve.

18 SERVICE CHARGES

Sale of Water	142 660 848	150 173 559
Sewerage and Sanitation Charges	39 066 304	32 761 414
Total Service Charges	181 727 152	182 934 973



Notes to the Financial Statements
for the year ended 30 June 2007

	2007	2006
	R	R
19 GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	49 836 440	55 580 925
Department of Local Government and Traditional Affairs	-	1 097 873
Department of Water and Forests	-	586 000
Levies Replacement	28 838 590	-
Municipal Infrastructure Unit	-	404 432
Other Grants Received	5 700 000	-
Conditional Grants	94 075 657	128 074 575
National: FMG Grant	178 434	262 312
National: DEAT Grant	630 167	-
National: MIG Grant	89 487 956	103 694 881
National: DWAF Grant	412 816	447 854
Provincial: Local Government Grants	578 516	3 364 087
Provincial: CMIP Grant	-	-
Provincial: Dept of Agriculture & Environmental Affairs Grant	-	8 000 000
Provincial: Dept of Arts & Culture Grant	-	387 563
Provincial: Dept of Public Works Grant	-	(25)
Provincial: Dept of Sport & Recreation Grant	659 127	2 001 514
Provincial: Dept of Transport Grant	297 000	1 488
Provincial: Dept of Local Government & Traditional Affairs Grant	1 709 972	9 496 655
Provincial: Dept of Tourism Grant	-	67 368
Other Spheres of Government Grants	121 669	350 877
Total Government Grants and Subsidies	178 450 687	185 743 805

19.1 National: Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant. No funds were withheld.



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
19.2 National: Finance Management Grant (FMG)		
Balance unspent at beginning of year	728 028	934 132
Current year receipts	579 979	56 208
Conditions met – transferred to revenue	(178 434)	(262 312)
Conditions still to be met – transferred to liabilities (see Note 6)	<u>1 129 573</u>	<u>728 028</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.

19.3 National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	-	-
Current year receipts	2 073 110	-
Conditions met – transferred to revenue	(630 167)	-
Conditions still to be met – transferred to liabilities (see Note 6)	<u>1 442 943</u>	<u>-</u>

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

19.4 Provincial: Local Government Grants

Balance unspent at beginning of year	5 359 226	7 150 286
Current year receipts	1 685 836	1 573 027
Conditions met – transferred to revenue	(578 516)	(3 364 087)
Conditions still to be met – transferred to liabilities (see Note 6)	<u>6 466 545</u>	<u>5 359 226</u>

Various grants are paid by Provincial Local Government help implement the IDP, PMS and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA), 2000. No funds have been withheld.



Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	R	R
19.5 National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	40 307 771	23 497 660
Current year receipts	96 104 044	120 504 992
Conditions met – transferred to revenue	<u>(89 487 956)</u>	<u>(103 694 881)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>46 923 860</u>	<u>40 307 771</u>

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

19.6 National: Dept of Water Affairs and Forestry Grant (DWAF)

Balance unspent at beginning of year	2 817 653	619 095
Current year receipts	208 018	2 646 412
Conditions met – transferred to revenue	<u>(412 816)</u>	<u>(447 854)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>2 612 855</u>	<u>2 817 653</u>

DWAF grants are aimed at supplementing municipal budgets to assist with the assessment of Water Service delivery mechanisms, water delivery planning and water services technical support. No funds were withheld.

19.7 Provincial: Dept of Agriculture and Environmental Affairs Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	8 000 000
Conditions met – transferred to revenue	<u>-</u>	<u>(8 000 000)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>-</u>	<u>-</u>

The KZN Department of Agriculture and Environmental Affairs contributed towards the construction of certain facilities and services within the Ugu Fresh Produce Market by way of this grant. No funds were withheld.

19.8 Provincial: Dept of Arts and Culture Grant

Balance unspent at beginning of year	-	387 563
Current year receipts	-	-
Conditions met – transferred to revenue	<u>-</u>	<u>(387 563)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>-</u>	<u>-</u>

This funding was provided by the KZN Department of Arts, Culture and Tourism to assist the youth in hosting a HIV/AIDS Awareness Day and to commemorate the Day of Reconciliation as per the National Calendar. No funds were withheld.



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
19.9 Provincial: Dept of Public Works Grant		
Balance unspent at beginning of year	2 002 201	7 525 051
Current year receipts	-	(5 522 875)
Conditions met – transferred to revenue	-	25
Conditions still to be met – transferred to liabilities (see Note 6)	<u>2 002 201</u>	<u>2 002 201</u>

Public Works Grants were utilised to construct or upgrade various infrastructure of informal settlement areas within the municipal district through utilising labour intensive construction methods in order to maximise job creation for local communities and opportunities for emerging contractors. No funds were withheld.

19.10 Provincial: Dept of Sport and Recreation Grant

Balance unspent at beginning of year	2 093 331	2 597 333
Current year receipts	7 477 334	1 497 513
Conditions met – transferred to revenue	(659 127)	(2 001 514)
Conditions still to be met – transferred to liabilities (see Note 6)	<u>8 911 538</u>	<u>2 093 331</u>

The purpose of the grant received from the Department of Sport and Recreation was to promote mass participation of a number of selected sport codes and related activities within disadvantaged communities in conjunction with other recreation federations, as well as to assist with the construction of the Ugu District Sports Complex. No funds were withheld.

19.11 Provincial: Dept of Transport Grant

Balance unspent at beginning of year	402 080	14 482
Current year receipts	9 089	389 087
Conditions met – transferred to revenue	(297 000)	(1 488)
Conditions still to be met – transferred to liabilities (see Note 6)	<u>114 170</u>	<u>402 080</u>

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were withheld.



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
19.12 Provincial: Dept of Local Government and Traditional Affairs Grant		
Balance unspent at beginning of year	8 468 552	4,940,821
Current year receipts	6 791 022	13 024 385
Conditions met – transferred to revenue	<u>(1 709 972)</u>	<u>(9 496 655)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>13 549 602</u>	<u>8 468 552</u>

Grants received from Department of Local Government and Traditional Affairs (DLGTA) are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. No funds were withheld.

19.13 Provincial: Dept of Tourism Grant

Balance unspent at beginning of year	643 077	70 226
Current year receipts	(643 077)	640 220
Conditions met – transferred to revenue	<u>-</u>	<u>(67 368)</u>
Conditions still to be met – transferred to liabilities (see Note 6)	<u>-</u>	<u>643 077</u>

The European Community, represented by the Department of Economic Development (Gijima KZN), awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

19.14 Other Government: DBSA

Balance unspent at beginning of year	1 209 833	1 320 155
Current year receipts	94 126	240 555
Conditions met - transferred to revenue	<u>(121 669)</u>	<u>(350 877)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>1 182 290</u>	<u>1 209 833</u>

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

19.15 Changes in Levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (2007), Government Grant funding is expected to increase over the two years 2007/2008 and 2008/2009.



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
20 OTHER INCOME		
Sundry Services Rendered	3 946 439	(8 344 709)
Tender Deposits Forfeited	66 660	-
Other Income	18 824 852	34 541 981
Total Other Income	22 837 951	26 197 272
21 EMPLOYEE RELATED COSTS		
Employee Related Costs – Salaries and Wages	64 057 652	52 146 255
Employee Related Costs – Contributions for UIF, Pensions and Medical Aids	16 270 859	12 781 061
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	11 274 993	9 934 280
Housing Benefits and Allowances	981 694	680 306
Overtime Payments	13 089 459	10 516 771
Performance Bonuses	269 537	358 931
Defined Benefit Plan Expense:	9 247 777	12 980 070
Current Service Cost	778 976	-
Interest Cost	1 038 405	-
Net Actuarial (gains) / losses recognised	787 220	-
Vested Past Service Cost	6 643 176	12 980 070
Total Employee Related Costs	115 191 971	99 397 674
There were no advances to employees. Loans to employees are set out in Note 12.		
Remuneration of the Municipal Manager		
Annual Remuneration (includes leave encashed – 2007: R0 & 2006: R103 925)	505 274	631 595
Car Allowance	187 287	157 327
Performance Bonus	55 343	69 287
Company Contributions to UIF, Medical and Pension Funds	123 237	77 667
Total	871 141	935 876
Remuneration of the Deputy Municipal Manager		
Annual Remuneration (includes leave encashed – 2007: R78 291 & 2006: R37 761)	538 149	484 810
Car Allowance	142 663	122 931
Performance Bonus	43 878	43 554
Company Contributions to UIF, Medical and Pension Funds	66 679	66 820
Total	791 369	718 116
Remuneration of the Chief Financial Officer		
Annual Remuneration (includes leave encashed – 2007: R0 & 2006: R35 030)	421 557	459 484
Car Allowance	140 295	118 819
Performance Bonus	46 634	56 574
Company Contributions to UIF, Medical and Pension Funds	91 035	80 378
Total	699 521	715 255



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
Remuneration of the General Manager: Corporate Services		
Annual Remuneration (includes leave encashed – 2007: R0 & 2006: R87 413)	48 849	447 365
Car Allowance	11 000	90 452
Performance Bonus	-	44 127
Company Contributions to UIF, Medical and Pension Funds	674	12 944
Total	60 523	594 888

The post was vacant until 31 May 2007 at which date the new General Manager: Corporate Services joined the Municipality. The Deputy Municipal Manager acted in this position in the interim.

Remuneration of the General Manager: Infrastructure and Economic Development		
Annual Remuneration (includes leave encashed – 2007: R169 077 & 2006: R27 965)	683 388	399 330
Car Allowance	156 818	124 188
Performance Bonus	46 188	35 189
Company Contributions to UIF, Medical and Pension Funds	9 448	5 808
Total	895 842	564 515

Remuneration of the General Manager: Water Services		
Annual Remuneration (includes leave encashed – 2007: R118 060 & 2006: R34 512)	656 955	524 658
Car Allowance	145 767	127 380
Performance Bonus	46 676	44 114
Company Contributions to UIF, Medical and Pension Funds	7 593	6 365
Total	856 991	702 516

Remuneration of the Special Advisor		
Annual Remuneration	375 116	362 797
Car Allowance	122 938	109 489
Performance Bonus	30 818	-
Company Contributions to UIF, Medical and Pension Funds	6 404	5 441
Total	535 276	477 727

An Acting Allowance (2007: R19 371 and 2006: R25 700) was paid to the Special Advisor for acting in the positions of Municipal Manager at a local Municipality and General Manager: Infrastructure and Economic Development Services respectively.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June 2007:

Post Employment Benefits

Municipal Manager	-	-
Chief Financial Officer	23 261	11 939
Total	23 261	11 939

Other Long-term Benefits

Municipal Manager	-	58 836
Deputy Municipal Manager	-	6 718
Chief Financial Officer	-	25 211
General Manager: Corporate Services	-	2 108
Total	-	92 873



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
22 REMUNERATION OF COUNCILLORS		
Mayor	630 311	452 831
Deputy Mayor	490 079	379 604
Speaker	495 695	240 407
Executive Committee Members	1 725 117	863 939
Councillors	2 248 106	1 483 883
Total Councillors' Remuneration	5 589 308	3 420 664

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and shared secretarial support at the cost of the Municipality. Councillors may utilise official Council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits 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.

Signed: Municipal Manager

23 INTEREST PAID		
Long-term Liabilities	5 793 993	8 345 869
Finance Leases	144 681	68 436
Total Interest on External Borrowings	5 938 673	8 414 306



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
24 BULK PURCHASES		
Water	12 578 774	10 762 952
Total Bulk Purchases	12 578 774	10 762 952
25 GRANTS AND SUBSIDIES PAID		
Low Income Subsidy	19 676 404	23 208 128
Community Projects	44 917 852	129 746 338
Drought Relief	4 409 787	2 803 488
Other Benevolent Organisations and Grants-in-Aid	2 971 110	2 373 044
Total Grants and Subsidies	71 975 153	158 130 998
26 GENERAL EXPENSES		
Included in General Expenses are the following:		
Rentals: Operating Leases	306 599	531 160

Rentals paid in respect of operating leases are the minimum lease payments for the year under review for office equipment held under non-cancellable operating lease agreements. Also see Note 44 in this regard.

No other extraordinary expenses were incurred.

27 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following International Accounting Standards for the first time during the financial year 2005/2006 in order to comply with the basis of preparation of the annual financial statements as disclosed in accounting policy 1:

- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
<p>The transitional provisions of the above mentioned standards have not been adopted, with the exception of the transitional provisions of IAS 19. The transitional provisions of IAS 19 have been adopted as follows:</p>		
<p>IAS 19 – Employee Benefits, paragraph 155 (a): The transitional defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the annual financial statements of the municipality as at 30 June 2006 in terms of IAS 19, 155(a). Thus the full net liabilities as at 30 June 2006 have been recognised immediately in the annual financial statements.</p>		
<p>The effect of the above-mentioned changes in accounting policies on the profit and loss is a decrease of R35,5 million for the financial year 2005/2006 and the nature of the changes in the accounting policies are as follows:</p>		
- IAS 19	Increase in expense for Employee Benefits	- 12 980 070
- IAS 32 & 39	Increase in expense for Provision for Bad Debts	- 33 610 595
- IAS 36	Increase in expenses for Impairment Losses on Assets	- 882 857
- IAS 38	Effect on Property, Plant and Equipment	- (385 448)
- IAS 38	Effect on Intangible Assets	- 385 448
Total decrease in Surplus for the Year 2005/2006		- 47 473 522
<p>The effect of the above-mentioned changes in accounting policies on the accumulated surplus as at 30 June 2006 is a decrease of R35,5 million, whilst the accumulated surplus of prior years was not affected.</p>		
<p>Corrections were made during the year and appropriated to the Accumulated Surplus Account.</p>		
<p>Details of the appropriations are as follows:</p>		
Corrections to Creditors		- (444 964)
Corrections to Debtors		- (632 075)
Corrections to Expenditure		- 3 725 267
Corrections to Income		- (237 512)
Adjustment of redemption of External Loan from previous Loan Redemption Fund		- (10 000 000)
Adjustment of Lease Payment on Vehicle for 2004/2005		- (38 905)
Decrease in accumulated surplus		- (7 628 187)



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
29 CASH GENERATED BY OPERATIONS		
Surplus for the year	79 538 636	39 841 688
Adjustment for:		
Correction of prior year error	-	(7 628 187)
Change in Accounting Policy	-	-
Depreciation	25 152 524	10 494 185
Impairment Losses on Property, Plant and Equipment	342 008	882 857
Loss / (Gain) on Disposal of Property, Plant and Equipment	(76 289)	-
Assets below threshold previous years expensed	3 031 308	-
Contribution to Bad Debt Provision	924 186	38 207 306
Bad Debts Recovered	32 654	16 068
Bad Debts Written-off	(2 669 128)	-
Investment Income	(18 874 708)	(13 951 286)
Interest Paid	5 938 673	8 414 306
Operating surplus before working capital changes	93 339 864	76 276 936
(Increase) / Decrease in Inventories	(972 499)	69 353
(Increase) / Decrease in Debtors	(14 455 974)	(3 684 994)
(Increase) / Decrease in Other Debtors	(4 463 755)	33 735 536
(Increase) / Decrease in VAT	(7 989 022)	1 667 938
Increase / (Decrease) in Provisions	8 345 686	12 953 945
Increase / (Decrease) in Conditional Grants and Receipts	38 216 211	24 378 094
Increase/(Decrease) in Creditors	13 735 066	(30 084 829)
Cash generated by / (utilised in) operations	125 755 576	115 311 980
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank Balances and Cash	26 814 698	12 273 250
Bank Overdraft	(4 831 089)	-
Total Cash and Cash Equivalents	21 983 609	12 273 250



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (see Note 1)	81 874 135	71 822 431
Used to finance Property, Plant and Equipment – at cost	81 874 135	71 822 431
Sub total	-	-
Cash set aside for the Repayment of Long-term Liabilities (see Notes 1, 11 and 16)	14 581 118	10 094 335
Cash invested for Repayment of Long-term Liabilities	14 581 118	10 094 335

External loans have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

32.1 Unauthorised Expenditure

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>

32.2 Fruitless and Wasteful Expenditure

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>

32.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	-	232 102
Irregular Expenditure current year	-	69 593
Recovered	-	(301 695)
Irregular Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>None</i>	<i>None</i>



Notes to the Financial Statements

for the year ended 30 June 2007

	2007	2006
	R	R
33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>33.1 Contributions to organised local government – SALGA</u>		
Opening Balance	-	-
Council Subscriptions	441 535	474 859
Amount Paid – current year	(441 535)	(474 859)
Balance Unpaid (included in Creditors)	-	-
<u>33.2 Audit Fees</u>		
Opening Balance	9 709	-
Current year Audit Fee	1 597 667	1 264 630
Amount Paid – current year	(1 597 667)	(1 254 921)
Amount Paid – previous years	(9 709)	-
Balance Unpaid (included in Creditors)	-	9 709
<p>The balance unpaid represents the audit fee for an interim audit conducted during May and June 2006 and is payable by 31 July 2006.</p>		
<u>33.3 VAT</u>		
<p>VAT inputs receivables and VAT outputs receivables are shown in Note 7. All VAT returns have been submitted by the due date throughout the year.</p>		
<u>33.4 PAYE and UIF</u>		
Opening Balance	172	-
Current year Payroll Deductions	18 545 892	13 357 267
Amount Paid – current year	(18 545 892)	(13 357 096)
Amount Paid – previous years	(172)	-
Balance Unpaid (included in Creditors)	-	172
<p>The balance represents PAYE and UIF deducted from the June 2006 payroll. These amounts were paid during July 2006.</p>		
<u>33.5 Pension and Medical Aid Deductions</u>		
Opening Balance	(16 061)	-
Current year Payroll Deductions and Council Contributions	22 373 756	16 529 628
Amount Paid – current year	(22 357 695)	(16 545 689)
Balance Overpaid (included in Creditors)	-	(16 061)
<p>The balance represents an overpayment of Pension and Medical Aid contributions deducted from employees and councillors in the June 2006 payroll, as well as the municipality's contributions to these funds. These amounts were corrected during July 2006.</p>		



Notes to the Financial Statements
for the year ended 30 June 2007

33.6 Councillors' arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2007			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
30 June 2006			
Councillor BT Lubanyana	2 279	366	1 913
Councillor NH Gumede	849	810	39
Councillor SM Zuma	2 846	190	2 656
Total Councillor Arrear Consumer Accounts	5 974	1 366	4 608

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

	Highest amount outstanding	Ageing
30 June 2007		
None	-	> 90 Days
30 June 2006		
Councillor SM Zuma	3 008	> 90 Days

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

No known matters existed at reporting date.



Notes to the Financial Statements for the year ended 30 June 2007

	2007 R	2006 R
34 CAPITAL COMMITMENTS		
Commitments in respect of Capital Expenditure:		
- Approved and contracted for:-	58 376 338	33 006 967
<i>Infrastructure</i>	53 150 451	25 810 425
<i>Community</i>	2 008 155	1 396 039
<i>Other</i>	3 217 733	5 800 503
- Approved but not yet contracted for:-	17 133 638	25 523 092
<i>Infrastructure</i>	15 633 638	25 523 092
<i>Community</i>	-	-
<i>Other</i>	1 500 000	-
Total Capital Commitments	75 509 976	58 530 059
This expenditure will be financed from:		
External Loans	5 678 945	15 688 321
Government Grants	54 457 642	29 994 768
Own Resources	15 373 389	12 846 969
	75 509 976	58 530 059



Notes to the Financial Statements for the year ended 30 June 2007

35 RETIREMENT BENEFIT INFORMATION

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up by the Retirement, Superannuation and Provident Funds. These multi-employer funds are subject to a triennial actuarial valuation.

The Retirement and Superannuation Funds are defined benefit plans, whereas the Provident Fund is a defined contribution plan. Sufficient information is not available to use defined benefit accounting for the Retirement and Superannuation Funds due to the following reasons:-

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

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. Both the Superannuation and Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Retirement Fund: The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 – 14%
- From 1 July 2007 – 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Superannuation Fund: The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R93 million, with a funding level of 93%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 – 6%
- From 1 July 2007 – 6%

The above mentioned surcharge would probably come to an end on 1 July 2008. However, the position will be monitored at the next actuarial valuation of Superannuation Fund on 1 March 2007.

Provident Fund: The last valuation performed for the period ended 31 March 2005 indicated that the fund is in a sound financial position.

An amount of R8.5 million (2006: R8.3 million) was contributed by Council in respect of employees' retirement funding. These contributions have been expensed.



Notes to the Financial Statements for the year ended 30 June 2007

36 CONTINGENT LIABILITIES

36.1 Guarantee in favour of Hibiscus Coast Municipality

The municipality issued a bank guarantee in the amount of R10 000 in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the municipality.

36.2 Guarantee in favour of Eskom

The municipality issued a bank guarantee in the amount of R2 852 000 in favour of Eskom to cover deposits on the electricity accounts of the municipality.

36.3 Guarantee in favour of McGarr Preston & Co Trust

The municipality issued a letter of undertaking to McGarr Preston & Co Trust for the purchase of Portion 7 and Portion 14 of Farm Lot RA No 5100 to the extent of 47.7 hectares. Currently, a private bond is being drawn to deal with the transfer.

36.4 Powers and Functions

It has come to the attention of management that a local Municipality has indicated its intention of raising a claim against the district to recover expenses incurred in respect of the Environmental Health and Refuse Powers and Functions. Negotiations will be entered into in this regard between the municipalities, but currently management is of the opinion that there are no legal grounds to entertain the claim.

36.5 Legal Cases

- i) Council is involved in a court case with an ex-employee, Mr TM Mabika, relating to unfair dismissal. At this stage it is not possible to quantify any possible losses to the municipality.
- ii) Council is involved in a dispute with Sublime Marketing (the applicant), where the applicant is claiming an amount of R227 412, with interest, in respect of functions performed on behalf of Eziqoleni Municipality / Horseshoe Farm. Council has filed a notice to defend the matter. The outcome of the legal processes is unknown at this stage.
- iii) Council is involved in a dispute with ARS Investment CC (the applicant), where the applicant is claiming that Council was negligent and caused flood damage estimated at R216 000. Council has handed the documents to its Insurer with a view to appoint an attorney to defend the matter. The outcome of the matter is unknown at this stage.
- iv) Council has been involved in a court case with ABCON / PILCON Projects into alleged fraud and/or fronting in terms of its Supply Chain Management Policy. Although judgement has been passed, an appeal has been lodged. The outcome is not known at this stage.
- v) Council is involved in a dispute with Errol Winston Farrel in respect of alleged damages of R19 533 caused by a burst water mains. The outcome of the legal processes is unknown at this stage.
- vi) Council is involved in a dispute with Thumb Print for breach of contract in respect of the 2004 Ugu Music Festival. The outcome of the legal processes is unknown at this stage.

37 CONTINGENT ASSET

Due to a fire that destroyed an administrative building of the municipality, an insurance claim to an estimated amount of R12 million will be lodged once all estimations have been obtained.

38 IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations and assistance was received.

39 PRIVATE PUBLIC PARTNERSHIPS

The Municipality is in the process of setting up a municipal entity, a company not having share capital. The main business and objectives of the entity will be to market and develop tourism for the entire district. At year-end the entity was yet registered.



Notes to the Financial Statements for the year ended 30 June 2007

40 EVENTS AFTER THE REPORTING DATE

At the time of finalisation of the annual financial statements for 2007, management was not aware of any events after reporting date that required disclosure.

41 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted, is set out in Annexures E(1) and E(2).

42 RISK EXPOSURES

The municipality is at risk in the following areas:

- *Credit Risk*, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.
- *Interest Rate Risk*, which is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the Municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise a large number of ratepayers dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at the statement of financial position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2007 R	2006 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Fixed Deposit Investments	13 489 923	12 817 734
Long-term Receivables	55 458	98 336
Consumer Debtors	47 754 741	33 551 581
Other Debtors	22 809 780	16 380 922
Short-term Investment Deposits	196 594 384	199 942 604
Bank and Cash Balances	21 983 609	12 273 250
Maximum Credit and Interest Risk Exposure	302 687 894	275 064 427



Notes to the Financial Statements for the year ended 30 June 2007

43 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial Assets	Classification	2007 R	2006 R
Investments			
Fixed Deposits	Held to maturity	13 489 923	12 817 734
Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	1 558	16 989
Sundry Loans	Loans and receivables	42 381	48 381
Consumer Debtors			
Sewerage	Loans and receivables	7 157 926	4 634 785
Water	Loans and receivables	36 060 000	28 916 797
Other Debtors			
Payments made in Advance	Loans and receivables	-	58 316
Short Term Loans	Loans and receivables	0	309 168
Sundry Deposits	Loans and receivables	386 440	313 586
Sundry Debtors	Loans and receivables	18 935 060	15 892 113
Government Subsidy Claims	Loans and receivables	35 133 772	33 418 334
Current Portion of Long-term Receivables			
Officials: Relocation Loans	Loans and receivables	5 519	26 966
Sundry Loans	Loans and receivables	6 000	6 000
Short-term Investment Deposits			
Call Deposits	Held to maturity	55 177 404	28 848 269
Notice Deposits	Held to maturity	140 325 784	161 000 000
Short-term Portion of Investments	Held to maturity	1 091 195	10 094 335
Bank Balances	Available for sale	26 258 383	12 030 246
Cash Floats and Advances	Available for sale	556 315	243 004
VAT	Loans and receivables	15 863 961	7 874 939



Notes to the Financial Statements
for the year ended 30 June 2007

Summary of Financial Assets

Classification	Financial Assets	2007 R	2006 R
Held to maturity			
Investments	Fixed Deposits	13 489,923	12 817 734
Short-term Investment Deposits	Call Deposits	55 177 404	28 848 269
Short-term Investment Deposits	Notice Deposits	140 325 784	161 000 000
Short-term Investment Deposits	Short-term Portion of Investments	1 091 195	10 094 335
		210 084 307	212 760 338
Loans and Receivables			
Long-term Receivables	Officials: Relocation Loans	1 558	16 989
Long-term Receivables	Sundry Loans	42 381	48 381
Consumer Debtors	Sewerage	7 157 926	4 634 785
Consumer Debtors	Water	36 060 000	28 916 797
Other Debtors	Payments made in Advance	-	58 316
Other Debtors	Short-term Loans	-	309 168
Other Debtors	Sundry Deposits	386 440	313 586
Other Debtors	Sundry Debtors	18 935 060	15 892 113
Other Debtors	Government Subsidy Claims	35 133 772	33 418 334
Current Portion of Long-term Receivables	Officials: Relocation Loans	5 519	26 966
Current Portion of Long-term Receivables	Sundry Loans	6 000	6 000
VAT	VAT	15 863 961	7 874 939
		113 592 617	91 516 373
Available for Sale			
Bank Balances and Cash	Bank Balances	26 258 383	12 030 246
Bank Balances and Cash	Cash Floats and Advances	556 315	243 004
		26 814 698	12 273 250
Total Financial Assets		350 491 621	316 549 961



Notes to the Financial Statements

for the year ended 30 June 2007

	2007 R	2006 R
The Municipality as Lessee		
At the Statement of Financial Position date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Up to 1 year	224 178	294 120
1 to 5 years	234 415	324 376
More than 5 years	-	-
Total Operating Lease Arrangements	458 593	618 496

45 OTHER DEFINED BENEFIT PLAN INFORMATION

45.1 Provision for Post-employment Health Care Benefits

The Post-employment Health Care Benefit Plan is a defined benefit plan of which the members are made up as follows:

In-service Members (Employees)	227	145
Continuation Members (Retirees, widowers and orphans)	43	43
Total Members	270	188

The liability in respect of past service has been estimated as follows (R million):

In-service Members	7 557	4 209
Continuation Members	9 812	5 715
Total Liability	17 369	9 923

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- Hosmed
- LA Health
- Munimed
- Samwumed



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
<p>The Future-service Cost for the ensuing year is estimated to be R837 965, whereas the cost for the year after is estimated to be R1 389 522 (2006: R438 052 and R793 858 respectively).</p>		
Present value of fund obligations	-	-
Fair value of plan assets	-	-
	<hr/>	<hr/>
	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	17 369 028	9 923 229
	<hr/>	<hr/>
Net Liability / (Asset)	17 369 028	9 923 229
<p>The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155(a).</p>		
Reconciliation of Present Value of Fund Obligation:		
Present value of fund obligation at the beginning of the year	9 923 229	-
Current service costs	438 052	9 923 229
Benefits paid	(429 288)	-
Interest costs	793 858	-
Past service costs	-	-
Actuarial (gains) / losses	6 643 176	-
	<hr/>	<hr/>
Present Value of Fund Obligation at the end of the year	17 369 028	9 923 229
Reconciliation of Fair Value of Plan Assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	429 288	-
Contributions: Employee	-	-
Past-service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	(429 288)	-
	<hr/>	<hr/>
Fair Value of Plan Assets at the end of the year	-	-
Key Assumptions Used		
Discount rate	8.00%	8.00%
Health Care Cost Inflation Rate	6.50%	6.50%
Net Effective Discount Rate	1.41%	1.41%



Notes to the Financial Statements
for the year ended 30 June 2007

	2007 R	2006 R
45.2 Provision for Long-service Allowances		
<p>The Long-service Allowance Plan is a defined benefit plan. At year end, 674 employees (2006: 635 employees) were eligible for long-services allowances.</p> <p>The Future-service Cost for the ensuing year is estimated to be R408 199, whereas the cost for the year after is estimated to be R316 538 (2006: R340 922 and R244 547 respectively).</p>		
Present value of fund obligations	-	-
Fair value of plan assets	-	-
	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	3 956 728	3 056 841
Net Liability / (Asset)	3 956 728	3 056 841
<p>The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).</p>		
Reconciliation of Present Value of Fund Obligation		
Present value of fund obligation at the beginning of the year	3 056 841	-
Current service costs	340 922	3 056 841
Benefits paid	(472 803)	-
Interest cost	244 547	-
Past service costs	-	-
Actuarial (gains) / losses	787 220	-
Present Value of Fund Obligation at the end of the year	3 956 728	3 056 841
Reconciliation of Fair Value of Plan Assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	472 803	-
Contributions: Employee	-	-
Past-service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	(472 803)	-
Fair Value of Plan Assets at the end of the year	-	-
Key Assumptions Used		
Discount rate	8.00%	8.00%
Health Care Cost Inflation Rate	6.00%	6.50%
Net Effective Discount Rate	1.89%	1.90%



Notes to the Financial Statements for the year ended 30 June 2007

46 DISCONTINUED OPERATIONS

Regional Service Levies, both Remuneration and Turnover, were discontinued with effect from 1 July 2006 in terms of an announcement made by the Minister of Finance during the 2005 Budget Speech, and was replaced by a subsidy from National Government.

47 RELATED PARTY TRANSACTIONS

47.1 Services rendered to Related Parties

	Sewerage Charges	Water Charges	Water Rates Charges	Outstanding Balances
For the year ended 30 June 2007				
Councillors	35 694	62 185	-	14 053
Municipal Manager and Section 57 Personnel	3 921	15 766	-	2 460
Total Services	39 615	77 951	-	16 513
For the year ended 30 June 2006				
Councillors	-	-	-	-
Municipal Manager and Section 57 Personnel	-	-	-	-
Total Services	-	-	-	-

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

47.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 10 to the annual financial statements.

47.3 Compensation of Related Parties

Compensation of key management personnel and councillors is set out in Notes 20 and 21 respectively, to the annual financial statements.



Notes to the Financial Statements for the year ended 30 June 2007

47.4 Purchases from Related Parties

The Municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year 2007	Purchases for the Year 2006
MB Electrical & Lighting			Councillor	54 807	-
AZ Cooling Services			Employee	25 700	-
Total Purchases				80 507	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

48 EXEMPTIONS FROM MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Minister of Finance has, in terms of General Notice 552 of 2007, exempted compliance with certain of the Standards and aspects or parts of these Standards listed in Accounting Policy Number 1. In the table set out below, the exemptions offered have been listed together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the annual financial statements would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table:



Exemptions from the Municipal Finance Management Act for the year ended 30 June 2007

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated Annual Financial Statements GRAP 7 Associates GRAP 8 Joint Ventures GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 Property, Plant and Equipment GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p>	Y	
		Changes in accounting policies (GRAP 3.14, 19)		
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	



Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below:</p> <p>GRAP 4, 6, 7, 8, 9, 12, 17, 19.</p> <p>Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p>	<p>Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.</p>
<p>GRAP 5, Borrowing Costs.</p> <p>Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p>	<p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p>
<p>GRAP 10 and 11.</p> <p>The municipality does not have these types of transactions.</p>	<p>No adjustment required.</p>
<p>GRAP 13, 14, 16, 18, 100, 101 and 102.</p> <p>The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>See adjustments required as per relevant sections of this document set out below.</p>
<p>No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.</p>	<p>No adjustments to the annual financial statements are required.</p>
<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser, the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p>	<p>No adjustments to the annual financial statements are required.</p>



Exemptions from the Municipal Finance Management Act for the year ended 30 June 2007

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.	N	
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	Y	
GAMAP 17	Property, plant and equipment	Review of useful life of items of property, plant and equipment recognised in the annual financial statements (GAMAP 17.69 – 61, 77)	N	
		Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements (GAMAP 17.62, 77)	Y	
		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v)-(vi))	Y	



Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
The municipality does not reflect land and buildings that will be sold within the next twelve months as inventories.	No adjustments to the annual financial statements are required.
The municipality discloses water stock as inventory.	No adjustments to annual financial statements are required.
The municipality reviewed the useful life of its items of property, plant and equipment recognised in the annual financial statements.	No adjustments are required.
<ul style="list-style-type: none"> • CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of property, plant and equipment as reflected as being under their control per the fixed asset register is realistic. • CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. • Departmental managers should inform the manager responsible for assets of items of property, plant and equipment with remaining useful lives shorter or longer than those reflected on the fixed asset register at year end. • Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the annual financial statements if the review of depreciation methods of property, plant and equipment results in a change in estimate.</p> <ul style="list-style-type: none"> • The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. • A note on the change in estimate will be disclosed if the change in estimate is material.
<ul style="list-style-type: none"> • Identify items of property, plant and equipment that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> • Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); • Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); • Are technologically obsolete at year end (this can be facilitated by supplying departments with a fixed asset register printout pertaining to major assets showing the remaining useful lives of assets – the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); • Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. • Show that they are not performing according to their specifications or according to industry accepted norms. • Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the annual if impairment losses are calculated and disclosed for the first time:</p> <ul style="list-style-type: none"> • The carrying amount of property, plant and equipment will be reduced. • The reconciliation between the opening and closing balance of the carrying amount of property, plant and equipment will have to reflect impairment losses. • The accounting policy relating to property, plant and equipment will have to be amended to indicate how the entity deals with and discloses impairment losses. • The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. • All disclosure requirements as required by IPSAS 21.



Exemptions from the Municipal Finance Management Act for the year ended 30 June 2007

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	
GAMAP 17 (cont)	Property, plant and equipment	Impairment of cash generating assets (GAMAP 17.63, 75(e)(v)-(vi))	Y	
IAS 11 AC 109	Construction contracts	Entire standard	Y	
IAS 14 AC 115	Segment reporting	Entire standard	Y	



Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
<ul style="list-style-type: none"> • Identify items of property, plant and equipment that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> • Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); • Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); • Are technologically obsolete at year end (this can be facilitated by supplying departments with a fixed asset register printout pertaining to major assets showing the remaining useful lives of assets – the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); • Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. • Show that they are not performing according to their specifications or according to industry accepted norms. • Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the annual financial statements if impairment losses are calculated and disclosed for the first time:</p> <ul style="list-style-type: none"> • The carrying amount of property, plant and equipment will be reduced. • The reconciliation between the opening and closing balance of the carrying amount of property, plant and equipment will have to reflect impairment losses. • The accounting policy relating to property, plant and equipment will have to be amended to indicate how the entity deals with and discloses impairment losses. • The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. • All disclosure requirements as required by IAS 36.
<p>The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p>	<p>The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.</p>
<ul style="list-style-type: none"> • Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. • Determine the business and geographical segments of the municipality. • Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa. • Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats. 	<p>The annual financial statements will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ul style="list-style-type: none"> • Segment revenue for every reportable segment. • Segment results for every reportable segment. • Segment assets for every reportable segment. • The total cost incurred during the period to acquire reportable segment long-term assets. • A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>



Exemptions from the Municipal Finance Management Act for the year ended 30 June 2007

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	N	
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c)-(q))	N	
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	



Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
<p>Operating leases that have fluctuating payment arrangements have been identified and operating lease expenses that fall within this category have been straight-lined (smoothed).</p>	<p>No adjustments required to the annual financial statements.</p>
<p>The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.</p>	<p>No adjustments to the annual financial statements are required as the municipality already complies with the requirements of IAS 19.</p>
<ul style="list-style-type: none"> • Currently all conditional capital grants received for the purchase of property, plant and equipment are accounted for in terms of the national treasury GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46. • On receipt of a conditional Capital Government Grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from Government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of Government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit). • On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account. • For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance. 	<ul style="list-style-type: none"> • Unbundle the balance on the GGR and transfer it to a deferred income account. • Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grants creditor to a creditor called deferred income. Therefore the GGR (Reserve) will be replaced by a creditor called deferred income. • In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from Government grants. The GGR will no longer exist and therefore no transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.



Exemptions from the Municipal Finance Management Act for the year ended 30 June 2007

Std Nr	Standard title	GRAP, GAMAP and/or SA GAAP Requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	N	
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39. 43, AG 79, AG 64 – AG 65 and SAICA circular 9/06)	Y	
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	N	
IFRS 3 (AC 140)	Business combinations	Entire standard	N	
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42).	N	
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.	N	



Description of implementation plans that still need to be implemented to achieve full compliance with exempted Standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted Standards
<ul style="list-style-type: none"> Identify items of property, plant and equipment that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end) Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year end (this can be facilitated by supplying departments with a fixed asset register printout pertaining to major assets showing the remaining useful lives of assets – the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout) Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. Show that they are not performing according to their specifications or according to industry accepted norms. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	<p>The following adjustments will need to be made to the annual financial statements if impairment losses are calculated and disclosed for the first time:</p> <ul style="list-style-type: none"> The carrying amount of property, plant and equipment will be reduced. The reconciliation between the opening and closing balance of the carrying amount of property, plant and equipment will have to reflect impairment losses. The accounting policy relating to property, plant and equipment will have to be amended to indicate how the entity deals with and discloses impairment losses. The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. All disclosure requirements as required by IAS 36.
<p>The municipality has identified and recorded its intangible assets in accordance with the requirements.</p>	<p>No adjustments to the annual financial statements required.</p>
<p>All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.</p>	<p>No adjustments will need to be made to the annual financial statements as the municipality already fully complies with the requirements of IAS 39.</p>
<p>The municipality has properly accounted for its Investment Properties.</p>	<p>No adjustments to the annual financial statements required.</p>
<ul style="list-style-type: none"> It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill. Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3. 	<p>No adjustments will need to be made to the annual financial statements as the municipality already fully complies with the relevant requirements of IFRS 3.</p>
<p>The municipality measured and disclosed the non-current assets held for sale in accordance with IFRS 5 requirements where applicable.</p>	<p>No adjustments will be made to the annual financial statements as the municipality already fully complies with the relevant requirements of IFRS 5 .</p>
<p>All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.</p>	<p>No adjustments will need to be made to the annual financial statements as the municipality already fully complies with the relevant requirements of IFRS 7.</p>



Schedule of External Loans

for the year ended 30 June 2007

APPENDIX A

Details	Original Loan Amount R	Interest Rate	Loan Number
LOCAL REGISTERED STOCK			
CMB Nominees	1 500 000	16.75%	37 & 40
Infrastructure Finance Corporation Limited	30 000	16.80%	A161
Infrastructure Finance Corporation Limited	18 500 000	16.80%	A162
Infrastructure Finance Corporation Limited	1 114 081	16.80%	94 & 95
Infrastructure Finance Corporation Limited	1 800 000	15.60%	91, 92 & 93
Total Local Registered Stock	2 944 081		
ANNUITY LOANS			
Development Bank of South Africa	3 194 261	10.00%	-
Development Bank of South Africa	5 000 000	2.65%	-
Development Bank of South Africa	25 000 000	5.00%	-
Development Bank of South Africa (Ex Hibiscus Coast)	18 573 441	Various	Various
Development Bank of South Africa (Ex Umdoni)	2 500 000	Various	Various
Development Bank of South Africa (Ex Umuziwabantu)	1 850 000	Various	Various
Total Annuity Loans	56 117 702		
CAPITAL LEASE LIABILITIES			
ABSA Corporate Bank	14 481 689	14.00%	LSC 3
Ex Hibiscus Coast	-	Fluctuate	-
Wesbank	438 782	Fluctuate	GMK00024L
Wesbank	438 782	Fluctuate	GMK00025K
Wesbank	438 782	Fluctuate	GMK00026J
Wesbank	438 782	Fluctuate	GMK00027H
Wesbank	438 782	Fluctuate	GMK00002A
Wesbank	438 782	Fluctuate	GMK00003X
Wesbank	483 598	Fluctuate	TYL45387W
Total Capital Lease Liabilities	17 597 978		
TOTAL EXTERNAL LOANS	96 659 761		



Redeemable	Balance at 30/06/2006 R	Received during the Period R	Redeemed/Written Off during Period R	Balance at 30/06/2007 R
31/12/2007	1 500 000	-	-	1 500 000
31/12/2007	30 000	-	-	30 000
30/06/2011	18 500 000	-	-	18 500 000
31/12/2007	1 114 081	-	-	1 114 081
30/06/2011	1 800 000	-	-	1 800 000
	22 944 081	-	-	22 944 081
31/03/2013	1 867 680	-	195 418	1 672 262
-	5 000 000	-	-	5 000 000
-	3 161 883	21 838 117	-	25 000 000
Various	21 837 656	-	616 605	21 221 051
Various	2 253 451	-	215 518	2,037 934
Various	1 356 613	-	127 651	1 228 962
	35 477 283	21 838 117	1 155 192	56 160 209
31/05/2007	10 094 335	-	10 094 335	-
2006	407 682	-	-	407 682
01/04/2009	417 758	-	133 057	284 701
01/04/2009	417 758	-	133 057	284 701
01/04/2009	417 758	-	133 057	284 701
01/04/2009	417 758	-	133 057	284 701
01/05/2009	428 278	-	131 930	296 347
01/05/2009	438 782	-	130 897	307 885
31/12/2009	360 957	624 068	365 898	619 127
	13 401 067	624 068	1 255 290	2 769 845
	71 822 431	22 462 185	2 410 482	81 874 135



Analysis of Property, Plant and Equipment

for the year ended 30 June 2007

APPENDIX B

Description	Cost / Revaluation				
	Opening Balance R	Additions R	Under Construction R	Disposals / Transfers R	Closing Balance R
Land and Buildings					
Land	2 283 489	1 920 000	-	(367 449)	3 836 040
Office Buildings	13 532 641	2 569 677	-	-	16 102 317
Workshops and Depots	3 460 858	92 955	-	-	3 553 813
	19 276 988	4 582 632	-	(367 449)	23 492 171
Infrastructure					
<i>Roads:</i>					
Roads	-	686 617	-	-	686 617
<i>Security Measures:</i>					
Access Control	34 230	-	-	(11 046)	23 184
Fencing	124 104	104 608	-	-	228 713
Security Systems	112 005	-	-	-	112 005
<i>Sewerage:</i>					
Pumps	735 670	13 000	-	-	748 670
Purification Works	60 905 801	19 643 780	-	-	80 549 582
Sewers	27 954 282	3 384 777	-	-	31 339 059
<i>Water:</i>					
Mains	92 586 275	6 212 070	-	-	98 798 345
Meters	15 623 091	496 705	-	-	16 119 796
Reservoirs and Tanks	51 748 241	6 810 488	-	-	58 558 728
Supply and Reticulation	129 229 910	73 546 736	-	(221)	202 776 424
	379 053 609	110 898 781	-	(11 267)	489 941 122
Community Assets					
<i>Recreational Facilities:</i>					
Lakes and Dams	3 100 469	-	-	-	3 100 469
<i>Other Facilities:</i>					
Markets	19 192 645	-	-	(19 192 645)	-
	22 293 114	-	-	(19 192 645)	3 100 469



Accumulated Depreciation / Impairment				Carrying Value R	Budget Additions 2007 R
Opening Balance R	Additions R	Disposals / Transfers R	Closing Balance R		
-	-	-	-	3 836 040	-
2 922 558	828 875	-	3 751 433	12 350 885	64 535 513
1 578 767	116 117	-	1 694 884	1 858 930	-
4 501 325	944 992	-	5 446 317	18 045 854	64 535 513
-	-	-	-	686 617	-
30 364	(2)	9 389	20 973	2 211	-
119 269	18 348	-	137 618	91 095	500 000
101 548	(3 787)	-	97 760	14 244	-
219 636	41 819	-	261 455	487 215	-
38 276 769	237 087	-	38 513 856	42 035 726	7 411 936
4 650 122	1 231 161	-	5 881 282	25 457 776	931 000
45 116 477	5 322 308	-	50 438 785	48 359 560	7 078 463
4 207 633	1 933 054	-	6 140 687	9 979 110	950 000
20 758 013	4 026 362	-	24 784 375	33 774 353	10 625 537
22 573 560	5 774 610	189	28 347 981	174 428 442	59 796 346
136 053 390	18 591 384	9 578	154 635 196	335 305 926	87 293 282
601 950	111 057	-	713 007	2 387 462	-
-	-	-	-	-	-
601 950	111 057	-	713 007	2 387 462	-



Analysis of Property, Plant and Equipment

for the year ended 30 June 2007

APPENDIX B

Description	Cost / Revaluation				
	Opening Balance R	Additions R	Under Construction R	Disposals / Transfers R	Closing Balance R
Other Assets					
<i>Furniture and Fittings:</i>					
Cabinets and Cupboards	577 019	111 404	-	(536 266)	152 157
Chairs	659 490	6 875	-	(654 348)	12 017
Other Furniture	1 051 744	106 120	-	(635 693)	522 171
Tables and Desks	518 113	40 304	-	(432 782)	125 636
<i>Motor Vehicles:</i>					
Motor Cars	1 653 426	1 446 628	-	(442 551)	2 657 503
Motor Cycles	145 041	-	-	(21 012)	124 029
Trucks and Bakkies	26 419 206	4 895 116	-	(5 551 608)	25 762 714
<i>Office Equipment:</i>					
Air Conditioners	577 018	39 046	-	(318 224)	297 841
Computer Hardware	8 585 605	1 554 817	-	(2 213 621)	7 926 801
Computer Software	6 079 861	-	-	(6 079 861)	-
Office Machines	207 816	148 564	-	(171 552)	184 828
<i>Plant and Equipment:</i>					
Compressors	107 171	-	-	(19 384)	87 787
Graders	528 708	-	-	-	528 708
Laboratory Equipment	310 546	69 342	-	(57 003)	322 885
Lawnmowers	392 053	-	-	(198 194)	193 858
Other Plant and Equipment	8 602 418	6 961 355	-	(1 545 397)	14 018 375
Radio Equipment	842 293	(0)	-	(771 959)	70 335
Telecommunication Equipment	36 872	5 889	-	(10 927)	31 834
Tractors	708 456	415 900	-	(140 471)	983 885
<i>Watercraft:</i>					
Watercraft	22 141	-	-	(240)	21 901
<i>Other Assets:</i>					
Laboratories	70 635	-	-	-	70 635
	58 095 633	15 801 358	-	(19 801 092)	54 095 900
Total	478 719 344	131 282 771	-	(39 372 454)	570 629 662



Accumulated Depreciation / Impairment				Carrying Value R	Budget Additions 2007 R
Opening Balance R	Additions R	Disposals / Transfers R	Closing Balance R		
315 472	5 793	274 283	46 983	105 174	-
315 849	1 878	291 285	26 441	(14 425)	-
735 671	(63 471)	290 385	381 815	140 355	2 053 056
291 955	(3 745)	260 113	28 098	97 538	-
1 412 434	147 493	406 582	1 153 344	1 504 158	-
144 841	(1 944)	18 868	124 029	-	-
15 365 788	3 224 296	4 742 423	13 847 661	11 915 053	11 018 000
384 584	(3 487)	166 546	214 550	83 291	300 000
4 265 883	978 256	1 501 326	3 742 814	4 183 987	9 374 932
1 463 311	(1 463 311)	-	-	-	-
175 711	21 667	106 910	90 468	94 361	2 232 000
95 082	(5 274)	10 921	78 887	8 900	-
384 927	17 847	-	402 773	125 935	-
215 824	22 747	32 084	206 488	116 398	124 000
382 859	(51 488)	137 514	193 858	-	-
5 676 024	747 299	1 088 813	5 334 511	8 683 864	66 531 442
632 824	(55 344)	512 763	64 717	5 618	360 000
35 226	(3 477)	7 320	24 429	7 406	1 357 000
296 564	104 884	56 873	344 574	639 311	-
1 451	1 460	239	2 672	19 229	-
5 212	2 354	-	7 567	63 068	-
32 597 492	3 626 243	9 905 247	26 318 488	27 777 411	93 350 430
173 754 157	23 273 676	9 914 825	187 113 008	383 516 654	245 179 225



Analysis of Property, Plant and Equipment

for the year ended 30 June 2007

APPENDIX B

Analysis of Investment properties at 30 June 2007

Description	Cost / Revaluation				
	Opening Balance R	Additions R	Under Construction R	Disposals / Transfers R	Closing Balance R
Investment Properties					
Buildings: Market	-	5 324 628	-	19 192 645	24 517 273
Total Investment Properties	-	5 324 628	-	19 192 645	24 517 273

Analysis of Intangible Assets at 30 June 2007

Description	Cost / Revaluation				
	Opening Balance R	Additions R	Under Construction R	Disposals / Transfers R	Closing Balance R
Intangible Assets					
Servitudes	385 448	-	-	367 449	752 897
Computer Software	-	8 074 125	-	5 444 353	13 518 478
Total Intangible Assets	385 448	8 074 125	-	5 811 802	14 271 375



Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2007
Opening Balance R	Additions R	Disposals / Transfers R	Closing Balance R		
-	-	-	-	24 517 273	-
-	-	-	-	24 517 273	-

Accumulated Depreciation / Impairment				Carrying Value	Budget Additions 2007
Opening Balance R	Additions R	Disposals / Transfers R	Closing Balance R		
-	-	-	-	752 897	-
-	2 220 855	455 412	1 765 444	11 753 034	-
-	2 220 855	455 412	1 765 444	12 505 931	-



Segmental Analysis of Property, Plant and Equipment for the year ended 30 June 2007

APPENDIX C

Description	Cost / Revaluation				
	Opening Balance R	Additions R	Under Construction R	Disposals / Transfers R	Closing Balance R
Executive and Council	3 843 280	119 201	-	(438 100)	3 524 381
Finance and Administration	91 221 485	66 962 236	-	(29 105 188)	129 078 532
Planning and Development	747 962	(87 274)	-	(225 812)	434 876
Public Safety	151 017	17 210	-	(91 779)	76 447
Waste Management	100 908 869	32 113 881	-	(701 043)	132 321 707
Water	281 846 731	28 347 441	-	(8 779 999)	301 414 173
Total	478 719 344	131 282 771	-	(39 372 454)	570 629 662



Accumulated Depreciation / Impairment				Carrying Value
Opening Balance R	Additions R	Disposals / Transfers R	Closing Balance R	
1 593 890	102 440	(204 040)	1 492 290	2 032 091
9 845 325	278 332	(2 167 756)	7 955 901	121 122 631
370 348	(50 193)	(136 718)	183 438	251 438
51 703	7 444	(29 367)	29 780	46 668
48 243 980	2 803 308	(401 632)	50 645 656	81 676 051
113 648 911	20 109 543	(6 970 556)	126 787 898	174 626 275
<u>173 754 157</u>	<u>23 273 676</u>	<u>(9 914 825)</u>	<u>187 113 008</u>	<u>383 516 654</u>



Segmental Statement of Financial Performance

for the year ended 30 June 2007

APPENDIX D

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R	Description
31 355 629	27 492 363	3 863 266	Executive and Council
-	1 267 585	(1 267 585)	Finance and Administration
194 960 018	146 842 810	48 117 208	Planning and Development
-	-	-	Public Safety
-	-	-	Environmental Protection
47 839 000	66 805 814	(18 966 814)	Waste Water Management
162 774 481	154 678 868	8 095 613	Water
-	-	-	Other
436 929 128	397 087 440	39 841 688	Subtotal
-	-	-	Less: Inter-departmental Charges
436 929 128	397 087 440	39 841 688	Total



	2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
	12 326 987	18 489 005	(6 162 018)
	63 666 072	56 127 655	7 538 417
	109 141 339	41 627 339	67 514 000
	326 009	1 315 813	(989 805)
	-	209 372	(209 372)
	46 067 551	33 081 501	12 986 050
	163 234 949	172 322 064	(9 087 115)
	10 692 504	2 744 024	7 948 480
	<u>405 455 409</u>	<u>325 916 773</u>	<u>79 538 636</u>
	-	-	-
	<u>405 455 409</u>	<u>325 916 773</u>	<u>79 538 636</u>



Actual Verses Budget (Revenue and Expenditure) for the year ended 30 June 2007

APPENDIX E(1)

Description	2006/2007 Actual R	2006/2007 Budget R	2006/2007 Variance R	2006/2007 Variance %
REVENUE				
Service Charges	181 727 152	180 638 118	1 089 034	0.60
Regional Service Levies – Turnover	175 943	-	175 943	100
Regional Service Levies – Remuneration	2 760 242	-	2 760 242	100
Rental of Facilities and Equipment	247 911	908 152	(660 241)	(266.32)
Interest Earned – External investments	17 922 583	6 400 000	11 522 583	64.29
Interest Earned – Outstanding debtors	952 125	842 205	109 920	11.54
Government Grants and Subsidies	178 450 687	142 451 106	35 999 581	20.17
Other Income	22 837 951	28 307 768	(5 469 817)	(23.95)
Gains on Disposal of Property, Plant and Equipment	380 815	-	380 815	-
Total Revenue	405 455 409	359 547 349	45 908 060	12.77
EXPENDITURE				
Employee Related Costs	115 191 971	116 653 302	(1 461 331)	(1.27)
Remuneration of Councillors	5 589 308	4 339 536	1 249 772	22.36
Bad Debts	924 186	3 750 000	(2 825 814)	(305.76)
Collection Costs	141 476	-	141 476	100
Depreciation	25 152 524	25 518 241	(365 717)	(1.45)
Impairment Losses	342 008	-	342 008	100
Repairs and Maintenance	13 847 662	15 267 761	(1 420 099)	(10.26)
Interest Paid	5 938 673	17 228 756	(11 290 083)	(190.11)
Bulk Purchases	12 578 774	12 634 739	(55 965)	(0.44)
Contracted Services	8 001 325	12 110 404	(4 109 079)	(51.35)
Grants and Subsidies Paid	71 975 153	89 334 209	(17 359 056)	(24.12)
General Expenses	65 929 187	62 710 404	3 218 783	4.88
Loss on disposal of Property, Plant and Equipment	304 526	-	304 526	100
Total Expenditure	325 916 773	359 547 352	(33 630 579)	(9.35)
NET SURPLUS / (DEFICIT) FOR THE YEAR	79 538 636	(3)	79 538 639	



Explanation of Significant Variances Greater than 10% versus Budget

Levy income realised from handed-over businesses
Levy income realised from handed-over businesses
Over budgeted for rental income from cell phone operators
Under budgeted for interest income
Penalty tariffs were introduced during the drought period
Additional grant monies received that were not budgeted for
Budget comprises reserves unlocked from previous years
Property, plant and equipment auctioned during year and not budgeted for

New upper limits gazetted for Councillors
Budget included provision as well as collection costs in respect of Water Services
Included in budget for Bad Debts

Impairment now to be calculated in terms of GRAP
Budget allocation was adjusted
Internal interest now has to be excluded from the performance statement

Reduced dependence on contracted services
Grants received during third quarter of financial year

Property, plant and equipment auctioned during year and not budgeted for



Actual Versus Budget (Acquisition of Property, Plant & for the year ended 30 June 2007

APPENDIX E(2)

Description	2006/2007 Actual	2006/2007 Under Construction	2006/2007 Total Additions	2006/2007 Budget
	R	R	R	R
Infrastructure				
Executive and Council	119 201	-	119 201	561 856
Finance and Administration	66 962 236	-	66 962 236	13 951 432
Planning and Development	(87 274)	-	(87 274)	58 679 513
Public Safety	17 210	-	17 210	-
Sport and Recreation	3 355 520	-	3 355 520	-
Environmental Protection	52 516	-	52 516	-
Waste Management	32 113 881	-	32 113 881	100 025 488
Water	28 347 441	-	28 347 441	71 960 936
Other	402 042	-	402 042	-
Total	131 282 771	-	131 282 771	245 179 225



Equipment)

2006/2007 Variance	2006/2007 Variance	Explanation of Significant Variances greater than 5% versus Budget
R	%	
(442 655)	(78.78)	Property, plant and equipment purchased less than anticipated
53 010 804	379.97	MIG projects not included in budget
(58 766 787)	(100.15)	Actual expenditure included under Finance and Administration
17 210	-	Budget included under Planning and Development
3 355 520	-	Budget included under Planning and Development
52 516	-	Budget included under Planning and Development
(67 911 607)	(67.89)	Projects budgeted for not completed in financial year
(43 613 495)	(60.61)	Projects budgeted for not completed in financial year
402 042	-	Budget included under Planning and Development
(113 896 454)	(46.45)	



Disclosure of Grants and Subsidies in terms of the for the year ended 30 June 2007

APPENDIX F

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				
		June	Sept	Dec	March	June
FMG	National Treasury	-	-	500 000	-	-
Equitable Share	National Treasury	-	30 179 845	22 630 357	37 711 228	-
Sports and Recreation	Dept Sport & Rec	-	-	-	-	150 000
Ugu Agricultural Market	Dept Agriculture	-	-	-	-	-
Gijima	DEAT	616 098	-	-	-	1 331 631
Various Provincial	DLGTA	2 460 274	56 405	1 205 575	700 000	11 506 437
Various National	DPLG	31 731 630	26 255 700	13 930 000	29 443 103	25 960 522
DWAF	DWAF	2 360 000	-	-	-	-
Total Grants and Subsidies Received		37 168 002	56 491 950	38 265 932	67 854 331	38 948 590



Municipal Finance Management Act

Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance with the Revenue Act Yes / No	Reason for Non-compliance
June	Sept	Dec	March	June	June	Sept	Dec	March	June			
65 578	81 341	71 544	66 891	83 639	-	-	-	-	-	N/A	Yes	-
	15 962 774	16 306 332	15 282 509	15 396 555	-	-	-	-	-	N/A	Yes	-
911 198	-	-	58 440	-	-	-	-	-	-	N/A	Yes	-
1 724 606	-	-	-	-	-	-	-	-	-	N/A	Yes	-
67 368	-	269 337	135 666	225 163	-	-	-	-	-	N/A	Yes	-
3 223 818	198 479	108 860	828 089	1 509 793	-	-	-	-	-	N/A	Yes	-
46 616 389	17 977 441	26 140 703	40 419 926	7 010 922	-	-	-	-	-	N/A	Yes	-
-	-	-	-	-	-	-	-	-	-	N/A	Yes	-
<u>52 608 957</u>	<u>34 220 035</u>	<u>42 896 775</u>	<u>56 791 521</u>	<u>24 226 073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			



Management Action Plans to the audit findings raised for the year ended 30 June 2007

Impact on Audit Report	Audit Finding Number	Findings	
Emphasis of Matter	1	Purchases and Payables Inter Municipal Account Balances do not agree	
	2	Inventory and Asset Management Inadequate Insurance Cover	
Other Matters	3	Inventory and Asset Management No authorisation for disposals and write offs	
	4	Control Environment No documented and approved fraud prevention plan	
	5	Employee Costs No documented and approved skills retention policy.	
	6	Purchases and Payables Payment made after 30 days	
	7	Value for Money Employee Costs – High vacancy rate	



by the Auditor General in the Audit Report

Action Plan	Responsible General Manager/Senior Manager/ Manager	When will action be accomplished (Date)
To meet with the affected local municipalities in order to finalise on balances and the legal form of transactions.	General Manager: Treasury	30 June 2008
Insurance cover was increased from R385 million to R950 million, during the renewal for the 2008/09 financial year and will be adjusted each year to their replacement values, to keep up with inflationary increases and additions to assets.	Manager: Grants and Expenditure	Ongoing – Annual increase for inflation and additions
<ul style="list-style-type: none"> Departments to forward a duly signed list of all redundant equipment to Treasury by end February 2008. To review list of assets to be auctioned and furnish same to Council by end of April 2008 for approval. Disposal in terms of adopted Supply Chain Management Policy to be finalised by end of May 2008. 	Manager: Equity and Accounts	31 May 2008
<ul style="list-style-type: none"> The Fraud Prevention Plan will be discussed with Exco to seek approval. Upon approval, a copy of the plan will be posted on the website amongst other approved policies. A copy of the approved plan will be made available to the GM: Corporate Services to include as part of the induction and orientation pack for new employees. 	Manager: Internal Audit	31 March 2008
The draft Retention Policy has been tabled at the Extended Top Management meeting.	General Manager: Corporate Services (HR)	30 April 2008
Folders are to be created for each of the managers authorised to approve invoices for payment. Invoices received for payment by the Creditors Section will be placed in these folders, after which managers would be required to liaise with the Creditors Section in order to authorise invoices for payment. This new procedure is to be communicated to Extended Top Management in March 2008. This procedure has been agreed to by Top Management due to invoices being mislaid through the internal mail system or awaiting the managers attention for an extraordinarily long time.	General Manager: Treasury	31 March 2008
A recruitment turnaround cycle was adopted by the Executive Committee recently. A recruitment tracking system has been put in place incorporating the recruitment progress and a comprehensive action plan, incorporating with time frames.	General Manager: Corporate Services (HR)	Ongoing



Management Action Plans to the audit findings raised for the year ended 30 June 2007

Impact On Audit Report	Audit Finding Number	Findings	
Other Reporting Responsibilities	8	Performance Information Financial plan not reflected in the IDP	
	9	Performance Information General KPI's not included in the PMS	
	10	Performance Information Priorities, objectives and targets per IDP not aligned with the annual budget	
	11	Performance Information No evidence of submission of IDP could be obtained.	
	12	Performance Information The community is not involved in the review process	



by the Auditor General in the Audit Report

Action Plan	Responsible General Manager/Senior Manager/ Manager	When will action be accomplished (Date)
A detailed financial plan was prepared and incorporated in the the IDP 2008-2012. This financial plan is reviewed annually during the IDP, Budget and PMS process.	Office of the Municipal Manager Corporate Strategy and Shared Services (PMS)	31 May 2008
The General KPIs relevant to the District Municipality will be included in the 2008/2009 PMS and SDBIP.	Office of the Municipal Manager Corporate Strategy and Shared Services (PMS)	30 June 2008
The 2008/2009 budget process will ensure this alignment.	Office of the Municipal Manager Corporate Strategy and Shared Services (PMS)	31 May 2008
A letter from the MEC as proof of submission of the 2007/2008 IDP has been obtained.	Office of the Municipal Manager Corporate Strategy and Shared Services (PMS)	
The PMS and SDBIP process plan for 2008/2009 will include the aspect of community participation.	Office of the Municipal Manager Corporate Strategy and Shared Services (PMS)	31 May 2008



Service Delivery Reporting

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Service Delivery Reporting

Functional Areas

Infrastructure and Economic Development: Local Economic Development

Function: Infrastructure & Economic Development

Sub-Function: Economic Development

Headed: General Manager: Infrastructure and Economic Development

Overview

The LED Section is responsible for all activities associated with economic development initiatives, which include economic planning, investment opportunities packaging, promotion of partnerships, promotion of Small Medium and Micro Enterprises (SMME's), mainstreaming of vulnerable groups (youth, women and physical challenge individuals) in economic development, promote sustainable livelihoods and rural economic development.

Description of the Activity

The function of the economic development within the municipality is administered as follows:

- Economic Planning-the section is responsible for economic development planning i.e. Development of LED Plans, Economic Sector Plans, Urban Renewal Plan, Beachfront Development Plans and Industrial Park Redevelopment Plans.
- SMME Development Programmes and Support – working with various stakeholders (e.g. Small Enterprise Development Agency (SEDA), Esayidi FET, Construction Industrial Development Board (CIDB), South African Revenue Services (SARS), Tourism Enterprise Programme (TEP) etc) to provide the integrated business development services as prescribed by the Amendment of the National Small Business Act. One of the flagship

projects has been the Emerging Contractors Development Programme.

- Tourism Marketing is one of the key function of the LED Unit, which involves tourism destination (South Coast) marketing, attending the tourism trade shows (Tourism Indaba), supporting of the tourism events (i.e. South Coast Music Festival, Ugu Jazz Festival, Lorries Awards, Sardine Run etc), marketing brochure development and tourism information dissemination and management.
- Agricultural Development Programme has been linked with the new agricultural catalyst project known as the Ugu Fresh Produce Market. The programme involves development of the emerging farmers and also development of the whole agricultural value chain.
- Niche Market Development Plan which involves planning and promotion of niche markets e.g. Sport Tourism, Business Processing Outsourcing, and Biofuels.
- Black Economic Empowerment Monitoring is a task that is performed to monitor the BEE implementation in the district internally (Supply chain management spends) and externally (private sector procurement and BEE Deals facilitation).
- Sector Development Planning and support; provide support to the manufacturing, mining, trade and service sectors.
- Implementation of the business retention and expansion strategies,
- Creating the enabling environment for the business to thrive which will lead to wealth creation, job creation and poverty reduction.

Key issues: 2006/2007

- Development and Adoption of the credible LED Strategy with its sector plans,
- Establishment of the Single Tourism Body,
- Co-operatives Development Programme Plan,
- Emerging Contractors Development Programme,



- Operationilisation of the Ugu Fresh Produce Market,
- Hibberdene Harbour Development Project preferred developer appointment,
- Management and implementation of the Integrated Sustainable Rural Development Programme,

Urban Renewal Strategies as Business Retention, Attraction and Expansion Strategy

Two urban renewal projects in the district are currently being implemented namely, Harding CBD Infrastructure upgrading project and Umzinto CBD Renewal Plan. The projects form part of the business retention, attraction and expansion strategy.

The Harding CBD Project included the town clean up, restructuring of major town roads, storm water drainage system, an improvement of traffic control infrastructure. The

project investment is currently at R9 million.

The Umzinto Urban renewal Project is still on a planning stage and the urban renewal plan and business plan has been completed. The project was funded by DBSA and Ugu District Municipality and the projected costs of the project is R1, 2 million.

Other Rural Development Strategies

The municipality's rural strategy is based on the integrated approach which involves providing basic services through the Water Services Authority, coordinating investment by other departments in the district and also focusing on the P68 Corridor Development. The progress in terms of the poverty eradication programmes is significant. The infrastructure development programmes are subscribing to the principles of Extended Public Works Programme (EPWP). A number of jobs have been created.

List of key performance areas	Actual	Target
Adoption of the LED Strategy	100%	100%
Establishment of the Single Tourism body.	80%	100%
Fully functional Ugu Fresh Produce Market.	65%	100%
Implementation of Ugu District Sport Complex,	45%	100%
Finalisation of the Hibberdene Harbour Project	50%	100%

Table 5.1 Analysis of the Local Economic Development Function

Detail	Total	Amount (R)
Number and cost to employer of all economic development personnel:		
Professional (Directors/Managers)	3	1 308 000
Non-professional (Clerical/Administrative)	1	164 617
Temporary	None	-
Contract	None	-
Detail and cost of urban renewal strategies: Umzinto Urban Renewal Project	1	400 000

Table 5.2 Grants received

Detail	Total	Amount (R)
Type and number of grants and subsidies received:		
Flagship Feasibility Project	1	155 000
Department of Agriculture-Ugu Agricultural Market Grant	1	8 000 000
Gijima-KZN Business Plan	1	136 676
Gijima-KZN-LED Strategy	1	227 758
Gijima-KZN-Ugu Market Depots	1	274 665
Total	5	8 794 100



Treasury

Finance

FUNCTION	TREASURY
Sub Function	Finance
Reporting Level	Detail
Overview:	<p>Headed by the General Manager Treasury, the Treasury Department comprises of the following sections:</p> <ul style="list-style-type: none"> • Accounts and Equity; • Grants and Expenditure; • Budget Office <p>Financial planning and management is where Treasury puts in a considerable effort. Adherence to statutory requirements; timeous preparation and production of monthly management reports; annual financial statements; exercising financial discipline through effective, efficient and economical budgeting; financial reform and the efficient implementation of the Supply Chain Management Policy.</p>
Function of the Treasury Department:	<p>Budget Control Officer is responsible for coordinating the entire budget process.</p> <p>Manager Accounts & Equity is responsible amongst others, investment management, processing and updating of the General Ledger, creditors, fixed asset register updating and maintenance, external loans, bank reconciliations and receipting of water sales and sundry income.</p> <p>Manager Grant & Expenditure is primarily responsible for grant expenditure management and reporting, salary payments and Supply Chain Management Policy Implementation.</p>
Annual Priorities:	<ul style="list-style-type: none"> • Preparation of General Ledger so as to comply with GRAP/GAMAP reporting requirements. • Finalising the implementation of the new Enterprise Resource Planning (ERP) System. • Asset Management Strategies and Programmes. • Capital Financing Strategies and Programmes; including Debt Management. • Training and Development of financial and non financial staff. • Investment and Cash Management Policies and Procedures. • Credit Control and Debt Collection initiatives. • Supply Chain Management Policy Review.

Analysis of the Finance Function

Detail	Total	Amount (R)
Debtor billings: number and value of annual billings:		
Function: Water and Sanitation		10 457 601
Debtor collections: value of amount received and interest:		
Function: Water and Sanitation		41 883 352
Debtor analysis: amount outstanding: 30 June 2007		65 513 974
Function: Water		
Total debts outstanding as stratified	Current - 30 days	24 571 692
	31 - 60 days	2 966 987
	61 - 90 days	2 113 936
	+ 90 days	35 861 359
Write off of debts: Value of debts written off:		704 024



Indigent Policy		
Quantity (number of households affected)		3 148
Quantum (total value across municipality)		4 420 387
Loans		
External Loans		81 874 135
Total of original loan - local registered stock		22 944 081
Capital lease Liabilities		2 769 845
Annuity loans		56 160 209
Total loans received and paid during the year		22 462 185
Loans written off/redeemed		12 410 482

Supply Chain Management

Overview

The fundamental role and responsibility of the Supply Chain Management (SCM) unit is to implement the SCM Policy in terms of section 111 of the MFMA, giving effect to section 217 of the Constitution; and Part 1 of Chapter 11 and other applicable provisions of the Act, in a fair, equitable, transparent, competitive and cost effective manner. It does so in compliance with the regulatory framework prescribed in Chapter 2 of the SCM Regulations; and any minimum norms and standards that may be prescribed in terms of section 168 of the Act.

The above is achieved through the procuring of goods and services; or disposing those no longer needed by the municipality. The value attached to execution thereof is classified as follows:

- Tenders/Bid system is used to procure goods and services valued at R200 000 or more VAT inclusive per tender; Approximately R132 000 000 was spent in respect of Community projects, Emergency Water Supply and Property, Plant and Equipment
- Three Quotation system is used to procure goods and services valued at R1 – R200 000 VAT inclusive, Approximately R 93 000 000 was spent in respect of Repairs and Maintenance, General Expenses and Bulk Purchases.

- Contract management related costs amounting to approximately R8 000 000 in respect of contracted services.

Credible supplier database maintenance is also a function of the Supply Chain Management Unit

Function of the Supply Chain Management Unit

The function of the Supply Chain Management Unit within the municipality is, amongst others, administered as follows:

- Through the monitoring by the Provincial Treasury as regards the status on the implementation of the SCM Policy
- Through the oversight role of the Municipal Council by continuous assessment of policy implementation progress through quarterly reports
- The Accounting Officer through the Chief Financial Officer strategically manages the day to day SCM Policy implementation, especially the establishment and maintenance of the supplier database that promotes rotation of suppliers, implementation of bid committee systems, and further monitors operation to ensure that procurement activities are conducted as legislated giving effect to fair, transparent, equitable and cost effective procurement of goods and services.



Annual Priorities

The key issues in the 2006/2007 financial year were:

- SCM Policy annual review
- Updating of the supplier database
- Implementation of the integrated Procurement Supply Chain Management module within the new ERP system.

Supply Chain Management Governance

There are three bid committees in place and their functions are briefly as follows:

- Bid Specification Committee
Compile the specifications for the procurement of goods and services by the municipality.
- Bid Evaluation Committee
Evaluates bids and submits to the bid adjudication committee, a report with recommendations regarding the award of the bid.
- Bid Adjudication Committee
Considers the report and recommendations of the bid evaluation committee; and,
 - Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - Make another recommendation to the accounting officer on how to proceed with relevant procurement.

Total number of times that bid committees met during year:

Bid Specification Committee	21 times
Bid Evaluation Committee	30 times
Bid Adjudication Committee	30 times

Average time taken from tender advertisement to award of tender:

One month.

Bid committee membership

Bid Specification Committee members

- Manager: Grants and Expenditure
- Relevant managers.

Bid Evaluation Committee members

- General Manager: Treasury (Chairperson)
- Manager: Project Management Unit
- Manager: Water Reticulation
- Acting Manager: Human Resources.

Bid Adjudication Committee members

- Deputy Municipal Manager (Chairperson)
- General Manager: Water Services
- General Manager: Infrastructure and Economic Development.

Tenders adjudicated: July 2006 to June 2007

A large percentage of awards have been awarded on the 90/10 preference point system basis.



Tenders adjudicated: July 2006 to June 2007

The following is a list of tenders that were adjudicated during the 2006/2007 financial year. Contracts with the value above R200 000 to R500 000 are awarded based on a 80/20 split (80 points for price and 20 points for preferential procurement. Contracts with the value above R500 000 are awarded based on a 90/10 split (90 points for price and 10 points for preferential procurement).

Date of Meeting	Contract	Amount (R)	80/20 or 90/10
30/06/2007	Ugu-02-541-2006	R = Unspecified	90/10
	Ugu-06-557-2006	R = Depend on insurance claims history and assets value insured.	90/10
	Ugu-07-564-2006	1 482 000	90/10
	Ugu-07-561-2006	4 503 000	90/10
11/08/2006	Ugu-07-553-2006	1 994 637	90/10
	Ugu-02-578-2006	958 461	90/10
	Ugu-02-579-2006	982 385	90/10
28/08/2006	Ugu-02-505-2006	1 530.960	90/10
	Ugu-02-568-2006	This tender was awarded to various tenderers as follows:	
	Ugu-02-568-2006	212 930 excl VAT	90/10
	Ugu-02-568-2006	212 256 excl VAT	90/10
	Ugu-02-568-2006	192 600 excl VAT	90/10
	Ugu-02-568-2006	271 410 excl VAT	90/10
	Ugu-02-568-2006	272 304 excl VAT	90/10
	Ugu-02-568-2006	272 800 excl VAT	90/10
	Ugu-02-568-2006	229 770 excl VAT	90/10
	Ugu-02-568-2006	177 908 excl VAT	90/10
	Ugu-02-568-2006	227 150 excl VAT	90/10
	Ugu-02-568-2006	163 520 excl VAT	90/10
	Ugu-02-568-2006	161 768 excl VAT	90/10
	Ugu-02-568-2006	174 033 excl VAT	90/10
	Ugu-02-576-2006	6 200 000	90/10
	Ugu-02-567-2006	This tender was awarded to various tenderers as follows:	
	Ugu-02-567-2006	4 347 000 excl VAT	90/10
	Ugu-02-567-2006	4 290 650 excl VAT	90/10
	Ugu-02-567-2006	4 262 360 excl VAT	90/10
09/10/2006	Contract No. SFKN 01	1 290 000	90/10
16/10/2006	Ugu-02-585-2006	1 603 591	90/10
	Ugu-02-591-2006	1 801 157	90/10
	Ugu-02-592-2006	2 099 951	90/10
	Ugu-02-593-2006	2 200 000	90/10
	Ugu-02-565-2006	1 190 873	90/10
	Ugu-02-588-2006	852 763	90/10
24/11/2006	Ugu-07-558-2006	353 345 excl. vat	90/10
	Ugu-05-573-2006	42 000	90/10
	Ugu-07-571-2006	2 526 294	90/10



Date of Meeting	Contract	Amount (R)	80/20 or 90/10
	Ugu-02-587-2008	1 900 000	90/10
	Ugu-07-597-2006	1 269 583	90/10
	Ugu-02-566-2006	421 577	90/10
	Ugu-07-620-2006	1 890 119	90/10
	Ugu-02-628-2006	1 850 000	90/10
12/12/2006	Ugu-02-598-2006	1 575 000	90/10
	Ugu-02-599-2006	2 163 082	90/10
	Ugu-02-600-2006	1 911 528	90/10
	Ugu-07-611-2006	2 793 000	90/10
	Ugu-07-613-2006	509 452	90/10
	Ugu-07-619-2006	1 926 882	90/10
	Ugu-02-602-2006	1 013 225	90/10
	Ugu-02-603-2006	114 615	90/10
	Ugu-02-604-2006	991 708	90/10
	Ugu-02-605-2006	1 999 660	90/10
	Ugu-02-606-2006	1 253 094	90/10
	Ugu-02-607-2006	1 019 052	90/10
	Ugu-02-608-2006	1 431 798	90/10
	Ugu-02-609-2006	1 570 099	90/10
	Ugu-02-615-2006	1 473 894	90/10
	Ugu-02-617-2006	1 147 125	90/10
	Ugu-02-610-2006	2 512 193	90/10
	Ugu-02-586-2006	1 400 000	90/10
	Ugu-02-618-2006	2 130 000	90/10
	Ugu-07-614-2006	632 176	90/10
09/02/2007	Ugu-02-634-2006	1 723 362	90/10
	Ugu-02-635-2006	1 307 872	90/10
	Ugu-02-636-2006	1 754 385	90/10
	Ugu-02-456-2005	371 250	90/10 (Extended Contract)
	Ugu-02-631-2006	3 030 815	90/10
	Ugu-02-629-2006	1 985 740	90/10
	Ugu-07-630-2006	1 473 251	90/10
16/02/2007	Ugu-05-574-2006	R = Depend on the amount of repairs and maintenance to be done on airconditioning units for the 2 year period of the contract	90/10
	Ugu-07-601-2006	6 500 000	90/10
	Ugu-07-554-2006	1 257 789	90/10
	Ugu-02-639-2006	6 809 883	90/10
	Ugu-02-638-2006	577 486	90/10
	Ugu-07-623-2006	478 344	90/10
	Ugu-02-511-2005	On going maintenance work	90/10



Date of Meeting	Contract	Amount (R)	80/20 or 90/10
	Ugu-07-624-2006	911 608	90/10
28/03/2007	Ugu-02-643-2006	1 002 273	90/10
	Ugu-02-633-2006	444 787	90/10
	Ugu-02-640-2006	2 559 753	90/10
	Ugu-02-637-2006	864 821	90/10
05/04/2007	Ugu-07-625-2006	294 434	90/10
	Ugu-07-626-2006	419 448	90/10
	Ugu-07-627-2006	1 802 184	90/10
	Ugu-02-616-2006	1 647 191	90/10
	Ugu-02-576-2006	6 200 000	Terminated
	Ugu-02-576-2006*	960 000	Completion of terminated Contract
	Ugu-02-576-2006*	4 800 000	Completion of terminated Contract
<i>*Ugu-02-576-2006 split into two separate contracts and awarded as stated above.</i>			
	Ugu-02-548a-2006	1 368 000	Terminated
	UGU-02-667-2007	453 848	Completion of terminated contract No. 548a as stated above
	Ugu-02-642-2006	2 929 153	90/10
	Ugu-02-647-2007	5 951 632	90/10
	Ugu-02-641-2006	1 147 936	90/10
15/05/2007	Ugu-02-674-2007	Not yet awarded	90/10
	Ugu-02-661-2007	1 710 000	90/10
	Ugu-02-656-2007	846 587	90/10
	Ugu-05-575-2006	41 175	90/10
20/04/2007	Ugu-02-666-2007	460 000	90/10
25/05/2007	Ugu-02-648-2007	562 338	90/10
	Ugu-02-649-2007	1 710 949	90/10
	Ugu-02-650-2007	1 661 977	90/10
	Ugu-07-644-2007	1 335 894	90/10
	Ugu-07-645-2007	590 580	90/10
	Ugu-07-646-2007	1 354 144	90/10
02/05/2007	Request for Proposal: Ugu Jazz Festival	500 000	90/10
	Ugu-07-651-2007	237 871	90/10
	Ugu-07-652-2007	1 102 954	90/10
06/06/2007	Ugu-07-665-2007	491 407	90/10
	Ugu-02-657-2007	Engineers database	90/10
	Ugu-02-576-2007 (Section A)	4 800 00	90/10
	Ugu-02-576-2007 (Section B)	960 000	90/10



Date of Meeting	Contract	Amount (R)	80/20 or 90/10
	Ugu-02-659-2007	300 000	90/10
	Ugu-07-663-2007	322 536	90/10
	Ugu-07-664-2007	1 363 488	90/10
	Ugu-07-666-2007	922 699	90/10
	Ugu-02412-2004	800 000	90/10
15/05/2007	Ugu-02-661-2007	1 710 000	90/10
	Ugu-02-656-2007	846 587	90/10
	Ugu-05-575-2006	41 175	90/10

Water and Sanitation

Water

Water Distribution		
Detail	Total	Cost (R)
Includes the bulk purchase and distribution of water	4 319 334	10 934 739
The water purchase and distribution functions of the municipality are administered as follows and include:		
1. Water Services Operations		
1.1 Operations and maintenance – distributing treated water to consumers and maintains the existing infrastructure.		
1.2 Water Treatment – Abstracting, treating water and maintaining quality of water distributed to consumers.		
1.3 Electrical and Mechanical – support services to maintain pumpstations and telemetry system.		
1.4 Water Income – Performs metering and billing function for services provided to consumers.		
Special Projects – Implementation of new water projects and water loss control and metering.		
2. Water Services Authority and Administration		
2.1 Planning and administration – Development of 5-year plan for water projects and reviewal of the water services development plan.		
2.2 Development Control – Performs plan approval function for every development.		
2.3 Regulating and Monitoring – Enforcement of legislation , monitoring and reporting.		
2.4 Fleet Management – provision of transport services and fleet maintenance.		
The Municipality has a mandate to provide water and sanitation services		
The strategic objectives of this function are:		
1. Providing and ensuring access to basic water services.		
2. Planning and regulating water services provision.		
3. Ensuring continuous water supply and 24 hour turnaround.		
4. Ensuring safe drinking water for all.		
5. Maintaining and developing sustainable infrastructure.		
The key Issues for 2006/2007 are:		
1. Mitigation of drought through tankering.		
2. Reduction of water loss		
3. Preparation of the Water Services Development plan in a new gazetted (Feb 2007) format.		



4. Review of Infrastructure Backlog statistics and alignment with IDP baseline data.		
5. Preparation of business plans for bulk water infrastructure (Loans)		
6. South Coast Bulk pipeline linkages.		
7. Implementation of pipeline extension programme		
8. Presentation of the new restructured organogram to departmental sections.		
Number and cost to employer of all personnel associated with the water distribution function:		R
- Professional (Engineers/Consultants)	9	3 385 211
- Field (Supervisors/Foremen)	17	2 956 043
- Office (Clerical/Administration)	52	6 830 970
- General Workers	353	20 370 885
Total	431	33 543 109
Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer		R
- Category 1 (Umgeni water)	4 319 334	10 934 739
Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:	262 391KL	705 832
Total year-to-date water losses in kilolitres and rand	Kilolitres	R
Visible water losses throughout the distribution system	5 921 100	33 395 004
Number and cost of new connections:		
15mm dia	260	580 596
15mm dia (rural)	732	791 958
20mm dia	24	60 135
25mm dia	12	38 993
40mm dia	16	81 320
50mm dia – 100mm dia	140	1 540 000
Number and cost of disconnections and reconnections:	1 184	3 093 001
Number and total value of water projects planned and current:		
- Current (financial year after year reported on)	48	79 230 688
- Planned (future years)		620 659 977
Anticipated expansion of water service: (below and above RDP standard households combine)		489 418 100
Combined (below RDP and above RDP) households	54 308	621 627 000
Free Basic Service Provision:		
- Quantity (number of households affected)	33 796	1 143 657
- Standpipes	4 000	Free
- Quantum (value to each household)	6KL/HH	R34/HH
Type and number of grants and subsidies received:		97 817 624
Total operating cost of water distribution function		188 551 840



FUNCTION:	Waste Water Management
Sub Function:	Sewerage etc
Reporting Level	Detail
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities
Description of the Activity:	The sewerage functions of the municipality are administered as follows and include:
	1. Water Services Operations
	1.1 Waste water treatment – conveying, treating and disposing/discharging effluent in a correct manner and ensure that the process do comply with national standards.
	1.2 Operations and maintenance – maintains the existing infrastructure and provision of clearing conservancy tanks. (VTS draws)
	1.3 Electrical and Mechanical – support services to maintain pump stations and telemetry system.
	1.4 Water Income – Performs metering and billing function for services provided to consumers.
	2. Water Services Authority and Administration
	2.1 Planning and administration - Development of 5-year plan for Sanitation projects and review of the water services development plan.
	2.2 Development Control - Performs plan approval function for every development.
	2.3 Regulating and Monitoring - Enforcement of legislation, monitoring and reporting.
	2.4 Fleet Management - provision of transport services and fleet maintenance.
	The strategic objectives of this function are:
	1. Providing and ensuring access to basic sanitation services
	2. Planning and regulating water services provision.
	The key issues for 2006/07 are:
	1. Preparing of business plans for waterborne sewerage (Loans)
	2. Private package plants audit to reduce water pollution
	3. Presenting the new restructured organogram to departmental sections.

Analysis of the Function:	Total	Cost (R)
1. Number and cost to employer of all personnel associated with sewerage functions:		
- Field (Supervisors/Foremen)	2	752 269
- Non-professional (blue collar, outside workforce)	108	6 232 452
2. Number of households with sewerage services, and type and cost of service:		
- Flush toilet (connected to sewerage system)	14 434	43 899 587
- Flush toilet (with septic tank or conservancy tanks)	19 362	-
- Pit latrine with ventilation	70 358	-
- No toilet provision	5 497	15 908 640
3. Anticipated expansion of sewerage		
- Flush/chemical toilet	As per 20 year sanitation master plan	1 886 770
- No toilet provision (VIPs)	Target 5 497 per year	15 908 640
Total operating cost of sewerage function		56 898 704



Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
1. Municipal transformation and institutional development	Revised organogram	100%	100%
2. Good governance and community participation	Road shows to schools in 6 local municipalities	6	4
3. Municipal financial viability and management	Debt collection ratio	95%	96%
4. Local economic development	Enhancement of blue flag beaches by installing early warning systems at sewage pump stations and refurbishment of equipment	100%	90%
5. Basic service delivery and infrastructure investment	Refurbishment of sanitation infrastructure	50m	35m

Grant	Budget	Income	Expenditure	Grant conditions met Yes/No	Financial year	
					2004/2005	2005/2006
Municipal Infrastructure Grant	92 283 226	–	92 283 226	Yes	1 July 2004 to 30 June 2005	
	95 091 011	–	95 091 011	Yes		1 July 2005 to 30 June 2006
Water Services Operating & Transfers	534 000	534 000	58 148	Yes		1 July 2005 to 30 June 2006
WSP Facilitate Water Delivery Planning	431 000	431 000	204 182	Yes		1 July 2005 to 30 June 2006
WDM Facilitate Water Delivery Mechanism	835 000	835 000	423 001	Yes		1 July 2005 to 30 June 2006



FINANCIAL YEAR 2006/2007						
Grant	Budget	Income	Expenditure	Grant Conditions Met Yes/No	Outputs Received	Outcomes Achieved
1. Refurbishment of Rural Water Schemes	1 168 300	1 168 300	-	Yes		
2. Development Infrastructure Capacity Building	120 000	120 000	-	Yes	Capacitate water services technical staff (Plumbers, operators and artisans) Develop procedure and system manuals for our plants.	Appointment of a service provider to conduct training and accredit the technical staff. In progress.
3. Assessment of Service Delivery Mechanism	200 000	200 000	-	Yes	Outsourcing Repairs & Maintenance Operations after hours. Maintenance of Fire Hydrant Meters. Illegal Connections & Water Pollution Control	Cost Effective Operational & Maintenance: Programme still in progress
4. Water Services Infrastructure Backlog	250 000	250 000	-	Yes	Review the backlog statistics and align it with the IDP	Appointment of the service provider to undertake the backlog study
5. Water Delivery Planning	550 000	550 000	-	Yes	Review the WSDP as per the new DWAF version	Evaluate the backlog statistics and prepare revised project list as per the new programmes.
6. Water Services technical support	740 000	740 000	-	Yes	Capacitate water services technical staff (Plumbers, operators and artisans) Develop procedure and system manuals for our plants.	Appointment of a service provider to conduct training and accredit the technical staff. In progress.
7. Energy Sector Planning and REDS Support	200 000	200 000	-	Yes	Assessment of current energy usage and future requirements for water services and mitigation plans	On going.

CALCULATION SHEET FOR WATER AUDIT:2004/05 FY TO 2005/06 FY

Quarter	Water Production	Water Sales		Total sales	% UAW
		Legitimate unbilled	Water Sales		
July- Sep 04	5 342 022	197 310	3 175 402	3 372 712	36.9
Oct -Dec 04	5 661 067	826 317	2 929 373	3 755 690	33.7
Jan- Mar 05	5 551 292	607 238	2 954 459	3 561 697	35.8



CALCULATION SHEET FOR WATER AUDIT:2004/05 FY TO 2005/06 FY					
Quarter	Water Production	Water Sales		Total sales	% UAW
		Legitimate unbilled	Water Sales		
Apr- Jun 05	5 396 298	570 651	2 956 121	3 526 772	34.6
2004/2005	21 950 679	2 201 516	12 015 355	14 216 871	35.2
July-Sep 05	5 839 505	576 585	3 040 916	3 617 501	38.1
Oct - Dec 05	5 734 432	676 906	3 006 116	3 683 022	35.8
Jan - Mar 06	5 468 564	572 834	3 122 634	3 695 468	32.4
Apr - Jun 06	5 331 666	746 376	3 010 697	3 757 073	29.5
2005/2006	22 374 167	2 572 701	12 180 363	14 753 064	34.1

Quarter	Water Productions	Legitimate Unbilled	Water Sales	Total Sales	% UAW
Water Audit For 2006/2007 FY					
July - Sep 06	5 951 173	613 810	3 426 967	4 040 777	32.1
Oct - Dec 06	6 110 318	1 031 124	3 042 189	4 073 313	33.3
Jan - Mar 07	5 951 173	819 747	3 468 499	4 288 246	27.9
Apr - Jun 07	6 004 221	821 560	3 312 551	4 134 111	31.1
Total	24 016 885	3 286 241	13 250 206	16 536 447	31.1



Ugu District Municipality: Disclosure of Grants and Subsidies in Terms of Section 123 of MFMA, 56 of 2003

GRANTS AND SUBSIDIES RECEIVED						
Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				
		Jun	Sept	Dec	March	Jun
FMG	National Treasury	-	-	500,000	-	-
Equitable Share	National Treasury	-	30 179 845	22 630 357	37 711 228	-
Sports and Recreation	Dept Sport & Rec	-	-	-	-	150 000
Ugu Agricultural Market	Dept Agriculture	-	-	-	-	-
Gijima	DEAT	616 098	-	-	-	1 331 631
Various Provincial	DLGTA	2 460 274	56 405	1 205 575	700 000	11 506 437
Various National	DPLG	31 731 630	26 255 700	13 930 000	29 443 103	25 960 522
DWAF	DWAF	2 360 000	-	-	-	-
Total Grants and Subsidies Received		37 168 002	56 491 950	38 265 932	67 854 331	38 948 590
FMG	National Treasury	65 578	81 341	71 544	66 891	83 639
Equitable Share	National Treasury	-	15 962 774	16 306 332	15 282 509	15 396 555
Sports and Recreation	Dept Sport & Rec	911 198	-	-	58 440	-
Ugu Agricultural Market	Dept Agriculture	1 724 606	-	-	-	-
Gijima	DEAT	67 368	-	269 337	135 666	225 163
Various Provincial	DLGTA	3 223 818	198 479	108 860	828 089	1 509 793
Various National	DPLG	46 616 389	17 977 441	26 140 703	40 419 926	7 010 922
DWAF	DWAF	-	-	-	-	-
Total Grants and Subsidies Received		52 608 957	34 220 035	42 896 775	56 791 521	24 226 073

The projects and programmes identified during the year under review include:

- Vulamehlo regional water scheme
- Mhlabatshane regional water scheme
- Ezinqoleni water scheme
- Umtwalume bulk upgrade
- South coast bulk pipeline
- Urban waterborne sanitation
- Bhoboyi water augmentation project.



Annual Performance Reports 2006/2007

Water Services

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Municipal Transformation and Institutional Development	1. To facilitate water service delivery planning and develop a 5-year WSDP.	Review of Water and Sanitation policies	Revised policies by May 2007	100%	Gazetted and publicized tariffs
		Annual review of Water Services Development Plan	Revise the WSDP by 30 June 2007	60%	New gazetted format was introduced end February 2007.
	2. To ensure the provision of affordable and sustainable water services	Water Quality Compliance	95%	98%	100% Achieved
		Waste Water Compliance	94%		
Municipal Financial Viability and Management	1. To increase municipal revenue in accordance with infrastructure and developmental mandate	Debt Reduction	R 26.6 M 30/06/2007	R33.4 M	The debt for the year under review was contained.
		Collection rate	96%	96.11%	
		Indigent Register	3 000 indigents	3 300 indigents	This is in respect of consumers with metered connections.
Good Governance and Community Participation	1. To maintain effective channels of communication	Water awareness programme	6 Road shows per year	100%	Targeted schools and Indigents

Infrastructure and Economic Development

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Basic Service Delivery and Infrastructure development	1. Enhance service delivery	Water Loss Reduction (Rural)	30% by 30/06/2007	29%	New Leakage Management division is under development.
		Water Loss Reduction (Urban)	25%	27.4%	Work in progress of the Non-Revenue Water Master plan development.
		Water Quality Compliance	95%	98%	100% Achieved. The long outstanding water quality in Harding town which presented complex high iron and manganese content were finally resolved.
		Waste Water Compliance	95%	94%	Refurbishment of waste water works (Shelly Beach and Margate) is still underway.
	2. To ensure the provision of affordable and sustainable water services	Refurbishment of water reticulation pipelines	Pipe bridges, Old pipelines and Undersized pipes (100%)	90% of allocated budget	Poor performance by contractors resulting in delays
		Augmentation of Umzimkhulu water supply system R200 M	Business Plans and Loan acquisition (100%)	80%	Application for the loan is still pending with DBSA.
		Construction of South Coast Bulk pipeline	Construction – 100% 30/06 2007. Linkages to Ugu system – 100% 30/06/2007	90%	Pipeline to be commissioned in December 2007 Pending the completion of the pipeline
		Refurbishment of urban sanitation infrastructure	75% by 30/06/2007	60%	Dramatic reduction of sewerage spillages in the South Coast.



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Municipal Transformation and Institutional Development	1. To ensure staff training & development	Training Needs Assessment	100% by 30/06/2007	80%	Training Needs were identified and staff attended relevant training.
	2. To review the Supplier Database	Development of an implementation plan	100%	100%	Plan is in place
		Development of an accredited database	90%	60%	Accreditation of Suppliers is done only administratively.
Good Governance and Community Participation	1. To Review the Supply Chain Management Policy	1. Policy review plan in line with legislative changes and amendment	100%	100%	Policy review plan is in place
		2. Review of the SCM Policy	90%	80%	Policy reviewed in line with legislative changes and a draft policy was adopted as working document.
		3. Obtain Public Comments on the Policy	100%	0%	The public participation process had not commenced since Exco had not yet approved the draft policy

Treasury

KPA	Objective	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Institutional Development	1. To provide for the administrative needs of the Treasury Department	Expenditure on equipment and furniture as and when required	100%	100%	Budgeted office furniture has been procured
		Expenditure on computer equipment as and when required	100%	80%	Most of computer equipment have been procured
Finance Management	2. To ensure the adequate accountability of income and expenditure of grant funding.	Division of Revenue Act	100%	100%	National Treasury Financial Mandates have been met.
		Approved Business Plans			
		Appropriate Reporting Format			
		Accurate & Complete Financial Information	100%	100%	Grant Funding reconciliations and reporting is done monthly
	1. Payment of Salaries and Salary Deductions	Continuous monitoring of grant inflows and outflows with general ledger entries.	100%	100%	Expenditure on grant funding have not exceeded budgets
		Preparation of salaries input deadline schedule.	100%	75%	Input deadline dates have been communicated to the Human Resources Management
	Processing of salaries input	100%	75%	Every Salaries input submitted within set timeframe is processed prior to pay-run.	
	Transfer of salaries to staff and Councillors.	100%	100%	No instances where salaries were paid later than prescribed pay day date (20th of every month)	



KPA	Objective	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Finance Management	2. Updated Fixed Assets Register	Update of Fixed Assets Register.	100%	100%	The register was completed and balanced in the first week of August 2007
		Balance Fixed Asset Register with General Ledger control account on a monthly basis.	100%	90%	The register was completed and balanced in the first week of August 2007
		Fixed Asset stock take.	100%	100%	Completed during April 2007
		Examine probability of a fixed assets auction.	100%	100%	
		Fixed Asset auction.	100%	0%	Auction was held in 2007 financial year.
		Infrastructure grant funded assets handed over to Water Services.	100%	0%	No infrastructure projects handed over from PMU to Water Services due to them still being under construction.
	3. Implementation of Accepted Banking Tender	Agreed to implementation plan.	100%	90%	Implementation plan agreed to and in the process of implementation
		Transfer of Ugu Bank Accounts	100%	80%	Not all bank accounts at other institutions are closed yet as some consumers are still paying into these accounts. Processes are in place to phase out all other bank accounts by changing electronic transfer links with banks.
		Possible implications on consumers paying accounts electronically with new banking regulations.	100%	90%	This is monitored constantly to ensure minimum disruption to consumers. Old accounts will be closed once all links are corrected.
		Minimum disruption in banking of cash and payment to suppliers.	100%	70%	Program for electronic receipting of downloaded bank statement is being tested by the programmer.
		Continuous monitoring of service and quick action to avoid any major problems.	100%	Ongoing	The banking services are monitored on a daily basis and all problems are reported immediately and corrective measures taken.
	4. GRAP Implementation - Financial statements 30 June 2006.	Agreed to implementation plan.	100%	100%	Unqualified audit report received for the year ended 30 June 2006.
		Conversion of prior and current year data to GRAP format and preparation of working papers.	100%	100%	
		Drafting of GRAP compliant Annual Financial Statements	100%	100%	
		Review of Annual Financial Statements by 25 August 2006	100%	100%	
		Delivery of Annual Financial Statements to Auditor General offices by 31 August 2006	100%	100%	



KPA	Objective	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Finance Management	5. Approved Investment Policy	Undivided attention given to specialist and Auditor-General.	100%	100%	Policy approved by Council in August 2006.
		Timeous response to queries raised by Auditor-General.	100%	100%	
		Obtain all relevant legislation and regulations.	100%	100%	
		Drafting of policy document.	100%	100%	
		Top Management approval of policy.	100%	100%	
		Exco approval of policy.	100%	100%	
		Implementation and monitoring of policy.	100%	100%	
	6. Approved Borrowing Policy	Obtain all relevant legislation and regulations.	100%	100%	Policy is in the process of being drafted for approval.
		Drafting of policy document.	100%	50%	
		Top Management approval of policy.	100%	0%	
		Exco approval of policy	100%	0%	
		Implementation and monitoring of policy	100%	0%	
	7. Long Term Debt – Secure and obtain external loans for financing infrastructure expenditure	Obtain business plans in respect of water from water services department.	100%	45%	Business Plans and EIA taking longer than anticipated and received in respect of DBSA R50m Loan. By year end only R20m loan money had been drawn down
		Satisfy SCM policy and MFMA requirements in respect of long-term debt.	100%	100%	
		Prepare information statement for Public, National and Provincial Treasury and Council after approval of budget in May 2006.	100%	100%	
		Give 21 days notice to Public of the meeting where the loans will be discussed.	100%	100%	
		Supply Council, National and Provincial Treasury with information statement at least 21 days prior to the meeting where the loans must be approved.	100%	100%	
		If the loans are approved, arrange for draw downs as and when required.	100%	16%	
	8. Winding down of RSC levies	Legislation on abolishment of RSC levies	100%	100%	
		Draft implementation plan, including re-allocation of staff.	100%	100%	
Get implementation plan approved		100%	100%		
Publish notice in press		100%	100%		



KPA	Objective	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management		Inform Levy payers	100%	100%	
		Inform attorneys dealing with levies	100%		
		Collect outstanding debt	100%	60%	Some arrear levies are still collected by attorneys. As at the year end R2 935 646 had been collected in respect of arrear levies.
		Finalizing of levies and filing all files to archives.	100%	60%	The account levies is in the process of filing all levies documentation in boxes for storage at central registry.
	9. To ensure good governance through efficient and timeous reporting.	Agreed to reporting format.	100%	100%	Format agreed on.
		Submitted relevant information.	Monthly	70%	Although 12 reports were submitted, all were not done so timeously.
		Reliable software.	100%	100%	Implemented new ERP system.
		Agreed to deadline schedule.	Monthly	100%	
		Dedicated Staff.	100%	70%	Different section report individually.
	10. MFMA Compliance	Understanding the Act.	100%	70%	Some areas still need attention and are phased in by Government.
		Liase with other Department & give advice on new MFMA updates.		0%	As and when circulars are issued, same are brought to attention of departments.
		Surf website for new circulars updates.		20%	As and when circulars are issued, same are brought to attention of departments.
		Quarterly reporting.		100%	All quarterly reports have been submitted and discussed at quarterly workshops.
11. To capacitate the budget office in order to fully comply with MFMA.	Fund Managers position with FMG.	100%	0%	The Budget Office Manager had not been appointed by 30 June 2007.	
	Build up the capacity within Budget Office.		0%		
	Pay out MFMA Interns Salaries.		100%	Interns progressing well.	
12. Integrated IDP, PMS and Budget Process Plan for year end 30 June 2008.	Preparation of process plan for year end 30 June 2008.	100%	100%	The Budget Process Plan for the 2007/2008 had been adopted by Council in conjunction with IDP process plan 2007-2012 on the 24th of August 2006.	
Confirm process plan deadline dates, comply with legislative requirements.					
Obtain commitment from persons responsible for key deliverables on process plan.					
Budget Process Plan approval.					



Development Planning

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Institutional Development and Transformation	1. To develop performance contracts for management of municipalities to ensure that the municipality effectively monitors implementation of IDP service delivery in general.	Signed copies of performance contracts for the relevant managers.	100% by 30/06/2007 for level 0-1 and by 30/07/ 2007 for level 3 employees	Level 0-1: 100% L2 and L3: partially achieved	Limited incentives
		Signed copies of performance contracts for Section 57 staff members	7 by 30/07/2006	100%	To develop performance contracts for management of municipalities to ensure that local municipalities effectively monitor implementation of IDPs & service delivery in general.
		Signed copies of performance contracts for Section 57 staff members	100% by 30/08/2006 for 06/07 & 100% by 30/06/2007 for 07/08	100% by 30/08/06 100% by 30/06/07	
Democracy and Governance	1. To effectively monitor implementation of IDPs & service delivery in general through quarterly reviews of SDBIP & PMS.	Number of quarterly review meetings conducted.	4 by 30/07/2007	100% by 30/06/2007	
		Number of Quarterly report.	4 by 30/08/2007	100%	
	2. To prepare an Integrated Development Plan fostering integrated development planning approach ensuring sustainable & participatory development.	First draft IDP adopted.	100% by 28/02/2007	100%	
		A newly formulated 5-year IDP.	100% 30/06/2007	100%	
	3. To assist and support local municipalities in completing the development of their IDP on time.	Adopted IDP documents	6 by 30/06/2007	100%	
		Number of Local Municipalities supported with their IDP process.	6 by 30/06/2007	100%	
	4. To ensure that local municipalities have good management systems for effective implementation and monitoring of the IDP projects.	% PMS & SDBIP completion (adopted by Council).	100% by 30/06/2007	67% (4 of 6 Local Municipalities)	



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Democracy and Governance	5. To develop performance contracts for management of municipalities to ensure that local municipalities effectively monitor implementation of IDPs & service delivery in general.	No of quarterly reviews conducted	4 per municipality by 30/07/2007	100%	
		Number of Quarterly reports	3 per municipality by 30/07/2007	100%	
	6. To ensure implementation of the annual work plan.	% of projects completed from activity Plan	100% by 30/06/2007	80%	Project delayed
		2007/08 Activity Plan submitted to DPLG	100% by 28/02/2007	100%	
Infrastructure and Services	1. To minimise the effects of environmental degradation.	% completion of IWM plan (adopted by Council)	100% by 30/03/2007	Well managed waste management within the district	On going
		% MSIG grant expenditure	100% by 30/03/2007	100%	
	2. To ensure a well developed public transport system within Ugu.	% Adoption of public transport plan by Council	100% by 30/12/2006	100%	
	3. To initiate a Peer Review Mechanism to foster peer support & partnership amongst local municipalities to enhance performance & service delivery.	An adopted Peer Review Policy	30/09/2006	100%	
4. To improve economic growth and social infrastructure by partnering with local businesses in a structured manner through Regional Management Model.	Regional Management Model	30/10/2006	0%	Document finalized but council opted not to adopt the concept and document	



Corporate Services

Secretariat

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management	1. To reduce costs	% Reduction of telephone costs per person.	5% per annum until 06/2007	1% to date	There has to be strict implementation of the telephone policy. The implementation of 3G data cards is also contributing to the increase in telephone costs.
	2. To ensure that the departmental budget is submitted in time.	Number of sectional budgets submitted to the GM	Operational and capital budget submitted by due date.	100%	
Institutional Development and Transformation	1. To ensure that the municipality has good management systems.	% completion of the IT 3rd phase (infrastructure) of Audit/General's report.	30/06/2007	50% complete. Reviewal of 1st and 2nd implementation phases in progress, Draft 3rd Phase Plan close to finalisation, and plans for management approval are being prepared.	In the process of developing IT policies, and incorporating them in the envisaged IT Strategy. The Scope of work and check list has been drawn.
		% ERP Implementation.	31/12/2007	60% Complete. The functional specifications have been developed into the system for the bulk of the modules; Treasury super users and users have been trained; server hardware configured and Axapta installed in the Treasury Department, The initial go-live phase on the Financials and Trade and Logistics modules was on 14 March 2007. Work is in progress regarding the configuration for the billing module.	A further extension of the Go-Live date to November 2007 has been requested by the consultant and the request is at Steering Committee level.



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement	
Institutional Development and Transformation		% Completion of IT Policies and Procedures	31/12/2007	25% Complete. Review of IT policies, with a view to developing IT policies covering all aspects.	The IT User and Management Policies will be finalized by 31 December 2007.	
		% Completion of IT Computer Upgrade	30/06/2007	100% Complete. Worked according to plan and replaced and upgraded some computer hardware like laptops, computers, LCD Screens, projectors, extension modem, print servers, mobile messengers.		
		% implementations of DIMS.	30/06/2007	60% complete. IDP and Human Resource data is captured and system adaptors to transfer information from Axapta to DIMS and vice versa are completed.		
	3.	To link GIS with other systems and update its information.	% completion of water infrastructure and facilities data capturing for Umzumbe Municipality.	100% by 30/06/2007	100% complete, data capturing finalized, 3D modelling of the data complete and the project handed over to the municipality.	The plan is to implement at Vulamehlo Municipality in the 2007/2008 financial year.
		% completion of Ugu aerial photograph.	100% by 30/06/2007	100% complete. New updated images for Port Shepstone CBD were delivered in November 2006.		
		% upgrade of GIS software.	100% by 31/03/2007	Software upgrades were done in March 2007 with all the extensions.		
	4.	To ensure a sound and effective institutional arrangement.	% completion of the office decentralization process	30/06/2007	Building plans for the new Oslo Beach office block have been approved by Hibiscus Coast Municipality. Target date for the completion of the building is 30 November 2007. Umgeni Water will be vacating the Park Rynie building they are currently using by 30 June 2007 and renovations will be effected with a view to relocating the Water Services staff stationed in Park Rynie to the said building. However, alternative planning will have to be done as the Oslo Beach building was destroyed by fire on 29 June 2007.	A long term and a short term office accommodation plan will have to be developed.



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Institutional Development and Transformation	5. To provide an efficient secretariat and administrative service.	% of meetings where agendas were distributed no later than 48 hours before the meeting.	Ongoing	While efforts are made to distribute agendas for Council and all portfolio committees as per the Top Management resolution dated 22 May 2006 (That agendas be distributed 7 days before the meeting), it should be noted that this had not been achieved due to the late submission of agenda items. However, agendas in respect of Exco and Top Management are distributed as per the resolution.	
		% of meetings where minutes were available 10 days after a meeting.	Ongoing	70%, as extracts are circulated prior to minutes. The situation is improving.	
		% of mail sent to relevant people within a working day.	Ongoing	80% and ongoing	
		% of invoices received and sent to Treasury within 24 hrs of receipt.	Ongoing	All invoices received by the registry are sent directly to the Creditors Division of the Treasury Department for marking to the relevant sections and officials. 100% of invoices received are given to Treasury within 24 hours of Receipt.	
		% update of approved policies.	Ongoing	50% and ongoing. Secretariat is embarking on a project to collate all policies approved by council and filing them in a form of a policy book.	
	6. To develop a fully-fledged registry and filing system in accordance with legislation.	% of filing of property files.	100% by 30/06/2007	95% complete, steel filing cabinets per KZN Archives requirements have been acquired, fire proofing has been done, revamp of the water services registry is in progress and 97% complete.	
		Approved filing system	31/08/2005	100% complete	
		Records Management Policy and procedures manual.	30/06/2007	50% complete. Development of a draft policy and procedures manual is in progress, to be submitted to KZN archives upon finalisation.	
		Implementation of the filing system.	Approval of the implementation plan 31/03/2007	Implementation plan approved by the Portfolio Committee in June.	
		Gaining control over the files throughout the institution	Documents warehouse – 100% by 30/06/2007	50% complete	The exercise is ongoing as historical documents have to be filed as per the file plan.



Human Resources

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Institutional Development and Transformation	7. To create a local government institution embracing good governance and batho pele principles.	Structured training programmes, short courses and learnerships.	100% by 30/06/2007	100% by 30/06/ 2006	
		Municipal policies and procedures bound and disseminated to all new employees.	100% by 30/09/2006	92% by 31/10/2006	
		Learners to be registered on the ABET programme .	60% by 30/11/2006	100%	
		Course fees paid to institutions of learning in respect of bursaries for staff members.	100% by 30/06/2007	100%	
		Training needs captured in the Workplace Skills Plan.	100% by 30/06/2007	100%	
		Approval of Principle contractor's Safety Plans on all municipal construction sites.	100% by 30/06/2007	100%	
		Implementation of internal Annual Safety Plan.	100% by 30/06/2007	100%	
		Implementation of approved Employee Assistance Programme plan.	100% by 30/06/2007	100%	
	8. Restructuring of the institutional set up for enhanced service delivery and development.	Filling of vacant and new positions in the section.	100% by 30/09/2006	100% by 30/06/2007	
		Computer equipment and software purchased.	100% by 31/08/2006	100% by 30/06/2007	



Disaster Management

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Democracy and Governance	1. Extend and Promote Disaster Management in the district.	Final Draft DM Phase 2	100% by 30/06/2007	100%	Workshop convened by Exco for final evaluation in August 2007.
		Risk Reduction Plans	On going	25%	Risk Management committee formed – on going process
		LMs to develop DM Plans	On going	80%	Undergone tendering process.
	2. Mitigate against disasters and facilitate Disaster Risk Planning	Assisted LMs in providing Emergency Relief.	On going	100%	Funds spent on emergency relief and employment of consultant for the wave disaster and Oslo Beach fire.
		Appointment of Admin Secretary.	100% by Aug 2006	10%	Shortlisting of applications completed.
		Purchased three fire fighting equipment.	100% by June 2007	100%	Funds transferred to Umdoni to be utilised for shared services in Umzumbe & Vulamehlo Municipalities.
		Donate funds for the purchase of fire fighting equipment.	100% by June 2007	100%	Funds transferred to Umdoni to be utilised for shared services in Umzumbe & Vulamehlo Municipalities.
		Facilitated the formation of Fire Protection Association.	On going	10%	Held district workshop facilitated by DWAF to explain about formation of FPA's & met with Farmers Association (SCG).
		Facilitated setting up of fire & emergency services in the five local municipality.	On going	25%	Signed agreement with LM's for the Shared Services.
		Trained Fire Fighting/Disaster Teams (Volunteer Core Unit).	On going	0%	Assisted shared Services in setting up fire and emergency services at LMs.
		Monitoring Risk regarding Fire, Flooding, Drought, Epidemic's & Business Continuity.	On going	25%	Ongoing meeting with LMs Disaster Management Practitioners.
		Communication Links Investigated.	On going	30%	Signed agreement with SANDF.
		Back up systems installed.	100% by June 2007	10%	IT Section completed investigation.
		Disaster Management Advisory Forum.	On going	100%	Ongoing, three meetings held.
		IDP Forum.	On going	100%	Ongoing attendance of meetings.



Mayorality

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Good Governance and Democracy	1. Ensure improved communication between municipality and its internal and external stakeholders.	Successful implementation of the district's communication and community participation strategy through: <ul style="list-style-type: none"> • Effective use of print and electronic media • Community meetings and public events • Publications • Marketing and promotions activations. 	100% by 30/06/2007	80% <ul style="list-style-type: none"> • Weekly media releases published in the local media • Fortnightly radio slots secured and used accordingly in respect of Mayoral messages • 23 Community meetings held in respect of the Budget roadshows • 23 000 copies of internal and external newsletters printed and distributed • 500 copies of internal newsletter produced and distributed • 4 special events held during 3rd and 4th quarter • Website overhaul project commenced with • Branding and corporate material purchased and deployed accordingly. 	Staff capacity hindered progress in respect to this deliverable.
Infrastructure and Services	1. Ensure improved service delivery and infrastructure development.	Successful implementation of programmes related to: <ul style="list-style-type: none"> • Project sod turnings and project handovers • Creation of effective project steering committees • Successful service delivery • Enhancement programmes such as Masakhane campaign • Indigent Support Programme. 	100% by 30/06/2007	60% <ul style="list-style-type: none"> • 7 sod turning ceremonies and project handovers completed held • Steering committees set up and functioning for projects commissioning during period under review. 	Staff capacity hindered progress in respect of this deliverable.
Financial Viability	1. Support the development of a culture of sound financial management of resources at our disposal.	<ul style="list-style-type: none"> • Approval of quarterly plans in respect of the SDBIP. • Elimination of over expenditure and under utilisation of approved funds. 	100% by 30/06/2007	100% <ul style="list-style-type: none"> • SDBIP reports submitted accordingly • Budget utilized accordingly • R350 000 in grants-in-aid distributed to 40 community based organisations and projects. 	



Special programmes
HIV/AIDS

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
FINANCIAL MANAGEMENT	1. To ensure that the sectoral funds allocated are effectively utilised.	% of budget/ funding allocated to each key performance area	100% achieved by June 2007	<ul style="list-style-type: none"> Dedicated budget Implementation Plan Draft District Strategic Plan developed Integrated planning and co-sharing of resources. 	<p>Integrated programme of action.</p> <p>District recognized as a central player for support.</p>
Institutional Development and Transformation	1. To facilitate a co-ordinated response to HIV/AIDS.	A functional HIV and AIDS strategy in the District.	100% participation of formal and informal sectors Coordinated response.	<ul style="list-style-type: none"> Focal persons from all implementing sectors and local municipalities participating Integrated planning, IDP item District AIDS Council launched, functional, chaired by the Mayor Visible political and Top Management support Interim Coordinating forum in place in local municipalities District programme of action developed Presentation conducted at the 3rd SA AIDS Conference -4 delegates attended. 	
		No of Workshops, training and mentorship programmes conducted.	100% achieved	<ul style="list-style-type: none"> Basic information, Capacity Building and Mentorship workshops conducted (6 workshops conducted-a total of 400 people trained) 	<p>Workshops cosponsored with implementing departments.</p> <p>Support for local municipalities and implementing sectors in progress.</p>
		Support programmes for destitute families, orphaned and vulnerable children and people with special needs.	100% achieved by June 2007	<ul style="list-style-type: none"> Ongoing support to destitute families provided e.g. support for child headed families in progress as per identified family e.g. Project collaborated with Department of Housing A total of 75 families supported in 2006/2007 	A minimum of 30 referrals to government departments per month, especially Department of Social Development and Health.
		Resource mobilization programmes (distribution of resources).	100% achieved	<ul style="list-style-type: none"> Information brochures, Home Based Care kits, nutrition supplements provided to local municipalities and civil society/ implementing organization-control systems in place. 	<p>A number of 355 Home Based Acre kits, 275 boxes of protein porridge.</p> <p>230 boxes of soul city books distributed to all local municipalities.</p>



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
		Research, Monitoring and evaluation.	100% achieved	100%	<ul style="list-style-type: none"> • Research projects ongoing, mostly facilitated by implementing sectors • Ongoing surveillance system e.g. for information on the HIV incidence and prevalence in the District.

Rights of the Child

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management	1. To ensure that the sectoral funds are allocated and effectively utilized.	% budget/ funding allocated to each key performance area.	100% achieved by June 2007	100%	
Institutional Development and Transformation	1. To facilitate a district programme of action.	Establishment of a district programme of a coordinating task team in progress.	100% participation of government departments, local municipalities, NGOs and all relevant stakeholders	<ul style="list-style-type: none"> • ORC Focal person identified in all government departments • Cosponsoring of special events supported e.g. child protection week • Ongoing support to programmes on the Rights of the Child • School uniforms provided to destitute families attending at Mgaye Primary School-Umzumbe Municipality . 	

Farm Workers

Financial Management	1. To ensure that the sectoral funds are allocated and effectively utilized.	% budget/funding allocated to each key performance area.	100% achieved by June 2007	100%	
Institutional Development and Transformation	1. To convene a Baseline survey conducted.	<ul style="list-style-type: none"> • Establishment of a coordinated forum/council in progress. 	100%	<ul style="list-style-type: none"> • 60% achieved, to continue in next quarter • Baseline survey conducted, STATUS QUO-report available • Facilitation of road shows focusing on Human Rights, health and hygiene issues in conducted (4 sites per LM) • First meeting convened with government departments, local municipalities and other relevant stakeholders. 	



Women Programme

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management	1. To ensure that the sectoral funds are allocated and effectively utilised.	% budget/funding allocated to each key performance area.	100% achieved by June 2007	100%	
Institutional Development and Transformation	1. To ensure a district programme of action.	Capacity Building programmes for interim district women council .	100% by June 2007	<ul style="list-style-type: none"> • 80% achieved • Facilitation, Support and launch of local Umdoni Council • Gender Machinery Strategic Workshops • Women led projects supported • A number of training programmes focusing on Capacity Building with a view to improve economic development for women focusing on cutting across issues e.g. HIV and AIDS, Leadership, Entrepreneurship skill, Project Management and women Empowerment • A total of 350 women trained on various workshops. 	

Disability Programme

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management	1. To ensure a coordinated district programme for People with Disabilities.	% budget/funding allocated to each key performance area.	100% by June 2007	100%	
Institutional Development and Transformation	1. To ensure a coordinated district programme for People with Disabilities.	Institutional coordination	100% by June 2007	<ul style="list-style-type: none"> • 100% achieved and programmes ongoing • District Forum in place • Dedicated implementation plan in place • Focal persons from implementing sectors participating • Interim Structure established with 18 members from all local municipalities (3 per LM). 	



KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
		To lobby for mainstreaming and integration of disability issues in all sectors and municipality departments.	100% by June 2007	<ul style="list-style-type: none"> 100% achieved Relevant key implementing sectors e.g. social Welfare/ Health have dedicated sector plans. District has a dedicated plan of action. Mainstreaming of disability issues in progress in all municipality departments. 	
		Capacity Building and training programmes.	100% by June 2007	<p>The following projects are in progress, participants recruited through a collaborative process with all local municipalities:</p> <ul style="list-style-type: none"> Basic Computer and business Management course at Esayidi FET College ICDL Course (20 Learners) Carpentry Course (18 learners) Carpentry course (12 learners). 	

Senior Citizens

KPA	Objectives	Key Performance Indicators	SDBIP Targets	Actual Achievement	Remarks on Level of Achievement
Financial Management	1. To ensure a coordinated district programme of action.	% budget/funding allocated to each key performance area.	100% by June 2007	<ul style="list-style-type: none"> 100% achieved by June 2007 	
Institutional Development and Transformation	1. To ensure a coordinated district programme of action.	Coordinating a district strategy for Senior Citizens.	100% by June 2007	<ul style="list-style-type: none"> 100% achieved District programme of action in progress, facilitated in collaboration with all implementing sectors and relevant NGOs Draft implementation plan 2007/2008 in progress Hosted a Senior Citizens event and Launch of Ugu District Senior Citizens Forum (900 delegates attended) Hosted a Christmas party for Senior Citizens at St Faiths (500 delegates). 	
		Develop Terms of Reference for the Interim Coordinating Forum.	100% by June 2007	Draft Terms of Reference in progress.	





Council's Oversight Report on the 2006/2007 Annual Report





Report to the Council

Oversight Report in respect of the 2006/2007 Annual Report for the Ugu District Municipality

DATE: 25 MARCH 2008

1. Purpose

To propose that Council adopts the Oversight Report in respect of the 2006/2007 Annual Report.

2. Background and Rationale

2.1 Oversight Process

MFMA Circular Number 32, issued by National Treasury on 15 March 2006, provides guidelines on the preparation of an oversight report in respect of a municipality's annual report and those of its entities. The processes recommended in the said circular include the following:

- The establishment of an Oversight Committee under sections 33 and 79 of the Municipal Structures Act, 1998. The said committee should conduct a detailed analysis and review of the annual report and draft an oversight report to be considered by Council. The Committee should also receive and review representations made by the public and also seek input from other Councillors and Council Portfolio Committees. Upon finalisation, this draft Oversight Report could then be taken to Full Council for discussion.
- The Oversight Committee should only comprise non-executive councillors and community representatives. Municipal officials cannot be members of the Oversight Committee as this would pose a conflict of interests. Assistance from the municipality's Audit Committee is also recommended as a major source of independent specialist advice.

At its meetings held on 24 January 2008 and 28 February 2008 respectively, the Council established the Oversight Committee comprising of 8 non-executive councillors and 2 community representatives, with the Chairperson of the Audit Committee and the Chief Financial Officer as invitees.

The Committee's term of office is three years and is composed as follows in terms of the National Treasury guidelines:

Cllr J Janse van Vuuren – Chairperson

Cllr SM Zuma – Deputy Chairperson

Cllr E Moosa Bux

Cllr SO Njongo

Cllr NH Gumede

Cllr BT Lubanyana

Cllr D Snashall

Cllr NF Shusha

Mr T Krummeck – Community Representative

Ms N Boyce – Community Representative

The committee's role is to conduct a detailed analysis and review of the 2006/2007 Annual Report and draft an Oversight Report for submission to Council by 31 March 2008.

The Oversight Committee sat on 10, 17 and 25 March 2008, and the minutes of the meetings are attached hereto as Annexures A, B and C.

2.2 Consultation Process

Following the tabling of the Draft 2006/2007 Annual Report in Council on 24 January 2008, a public notice on the availability of the Draft 2006/2007 Annual Report was placed in local media. The community was invited to submit representations on the report.



Copies of the Draft Annual Report were placed for review at the Scottburgh Library, Port Shepstone Library, Margate Library, Umuziwabantu Library, Eziqoleni Library and all Ugu District Municipality Offices.

However, no representations or comments were received by the closing date of 7 March 2008.

2.3 Comments

2.3.1 Financial Matters – Annual Financial Statements – Section 121 (3) MFMA

It be NOTED that:

- The annual financial statements included in Chapter 4 of the Annual Report are the statements that were submitted to the Auditor-General.
- The Auditor-General expressed an unqualified audit opinion in respect of Ugu District Municipality.
- The Audit Report was included in the Annual Report as tabled.
- Management action plans to the audit findings raised by the Auditor-General in the Audit Report have been discussed through the Audit Committee and will be included in the printed Annual Report.
- The defined benefit plan expense for 2006 is more than the expense for the 2007, as the 2006 amount of R12 980 070 is a prior adjustment and an accumulation of the years prior to 2006, whereas the 2007 amount of R9 247 777 is an annual adjustment.
- With respect to Councillors' arrear consumer accounts, no Councillors had arrear accounts outstanding for more than 90 days at 30 June 2007.
- It is a concern that the municipality was not adequately insured in respect of the assets that were destroyed by fire at the Oslo Beach Offices, and as a result the municipality lodged a claim of R12 million, when the assets that were destroyed by the fire had a book value of R14 million. To correct this and to prevent it in future, the municipality is in the process of asset itemisation which will be renewed on an annual basis.

2.3.2 Disclosures – Allocations received – Section 123 MFMA

Note must be taken that allocations received by the municipality were mostly grants, and the amounts received have been gazetted in terms of the Division of Revenue Act. The received amounts were conditional grants and any unspent conditional grants have been reflected under creditors.

2.3.3 Municipal Performance

It be NOTED that:

- Though the budget road shows, Council meetings and IDP road shows serve as platforms for public participation in respect of the performance evaluation of the municipality, the participation of the public in the performance review of the municipality needs to be intensified. As a result, the team that will be evaluating the performance of the Municipal Manager and Section 57 managers for the 2007/2008 year will also comprise a community representative.
- Notwithstanding the fact that the inclusion of one community representative on the evaluation team for the Municipal Manager and Section 57 managers is regulated, it should be noted that the said community representation is not sufficient to enhance public participation in the performance management of municipalities. To address the said shortcoming, it should be ensured that community representatives are involved in the municipality's organisational performance evaluation.
- For the 2007/2008 reporting year, a Performance Audit Committee reporting to the Audit Committee has been established to be responsible for the assessment of the performance management system.
- The Integrated Development Plan (IDP) is not user friendly, as there are numerous acronyms in the report. There must be an addendum to the IDP listing all the acronyms.

2.3.4 Overview of the Municipality and Governance

It must be NOTED with concern that:

- The 2001 census figures were utilised for population, age break-down and skills profile sections of the Annual Report. An enquiry must be made with the province regarding updated figures.



- The attendance of the Planning, Economic Development and Tourism Committee is 55% and lower than the other portfolio committees.

The public participation component of the IDP Representative Forum should be emphasised and more IDP Road Shows should be conducted.

2.3.5 Highlights and Challenges

The quality of effluent that is discharged onto the beaches should be attended to, as that is negatively affecting the Blue Flag status of the beaches; and specific focus should be given to the sources of the said effluent.

2.3.6 Human Resources and Other Organisational Management

The fact that 21% of the total funded posts for management are vacant should be noted with concern.

It is suggested to management that an Annual Report Editorial Task Team should be appointed to look at the grammar and cosmetics of the report.

3. Strategic Implications

The adoption of the Oversight Report is in line with the KPAs – Good Governance and Public Participation, and Infrastructure and Services Delivery.

4. Legal/Statutory Implications

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

5. Staff/Personnel Implications

None.

6. Financial Implications

The Annual Report and the oversight process are provided for in the 2007/2008 budget.

7. Communication Implications/ Public Relations

- Invitations for nomination of two community representatives to serve on the Oversight Committee were placed in the local press.
- A public notice inviting representations from the community was placed in the local media.
- Meetings of the Oversight Committee were advertised in the local press.

8. Other Parties Consulted

The Auditor-General.

9. Recommendations

That Council resolves as follows:

- a) That the Council having fully considered the Annual Report of the municipality and representations therein, adopts the Oversight Report; and
- b) That Council approves the Annual Report without reservations.

J JANSE VAN VUUREN

CHAIRPERSON



Annexure A

Minutes of the Oversight Committee Meeting held in the boardroom, Aqua House, 28 Connor Street, Port Shepstone on Monday, 10 March 2008 at 09h00.

Present:

Cllr J Janse van Vuuren : Chairperson
Cllr SM Zuma : Deputy Chairperson
Cllr E Moosa Bux
Cllr SO Njongo
Cllr NH Gumede
Cllr BT Lubanyana
Cllr D Snashall
Mr T Krummeck
Ms N Boyce

In Attendance:

Ms Y Roboji : Manager: Secretariat, ICT and Auxiliary Services
Ms ZP Mavundla : Committee Clerk

1. Notice of Meeting

The notice of meeting was taken as read.

At this point of the proceedings the Chairperson requested Cllr E Moosa Bux to open the meeting in prayer.

2. Applications for leave of Absence

It was noted that Cllr NF Shusha had requested leave of absence from this meeting.

Following this,

It was

RESOLVED

That Cllr NF Shusha be granted leave of absence from this meeting.

3. Introduction of Members

The Chairperson requested members to introduce themselves.

4. Oath or Solemn Affirmation by Members of the Committee

The Speaker requested members to stand and say the oath. He also requested members to sign the oath and the signed copies be filed at Secretariat. He said that members should serve on the committee meticulously and with a critical eye. He further mentioned that the oversight report would be presented to Council and be adopted by Council, and he wished the committee well in the execution of its responsibilities.

{At this point in time (09h20) the Speaker recused himself from the meeting.}

5. Brief Overview

The Chairperson took members through this item. He mentioned that the establishment of the Oversight Committee was in line with the provisions of the Municipal Finance Management Act.



He mentioned that it was the first time that the committee was established.

He also mentioned that the committee was a monitoring system for the Council in terms of executing its duties. He also stated that members should peruse and study through the documents provided in the members' package.

He said that the public and as portfolio committees were given an opportunity to make comments. He mentioned that the Chief Financial Officer would provide the necessary answers in terms of the financial statements.

He said that meetings of the Oversight Committee were supposed to sit in February but they had to wait for the report from the Auditor-General as it was an integral part of the Annual Report. He further mentioned that the Act required the Council to approve the oversight report by 31 March 2008.

Cllr Snashall enquired as to whether there were any comments from the public and the manner in which the invitation for comments was publicised.

Responding, the Chairperson stated that the closing date for the submission of comments was Friday, 7 March 2008, and as a result such could not be submitted to the meeting. He added that the comments would be submitted to the next meeting of the committee. He also mentioned that the advertisement for the submission of comments was placed in local newspapers.

It was

RESOLVED

That the overview of the oversight process as given by the Chairperson be noted.

6. Terms of Reference

The Chairperson took members through this item. He mentioned that the establishment and membership of the committee was in terms of the Municipal Structures Act and the Municipal Finance Management Act.

He also mentioned that the term of the committee was three years and it consisted 8 non-executive members and community representatives. He also mentioned that the Chief Financial Officer and the Chairperson of the Audit Committee would need to be present at future meetings.

Cllr Snashall enquired as to the implications of the Oversight Report not being ready by 20 March 2008.

Responding, the Chairperson said that the Council meeting would have to be postponed but it would depend how far the members would have progressed in developing the report.

Cllr Zuma enquired as to whether there were any allowances for members serving on the committee. He enquired as to whether members would be receiving parking coupons as it was a problem when councillors were attending meetings.

Cllr Gumede added they were promised some parking coupons and that Hibiscus Coast Municipality would be allocating the said coupons.

Responding, the Chairperson said that they would have to find out from the General Manager: Treasury. Also responding, the Manager: Secretariat, ICT and Auxiliary Services said that the coupons that had already been given to Councillors were only for Hibiscus Coast Councillors, not for Ugu Councillors. She further mentioned that with respect to Ugu, discussions on parking arrangements were in progress with the Hibiscus Coast Municipality.

Members requested that this matter be finalised as soon as possible. The Chairperson also mentioned that minutes of the Oversight Committee would be submitted to Council as proof of the process followed by the committee.

Cllr Zuma enquired if any of the members were familiar with financial management. Responding, the Chairperson said that the General Manager: Treasury would be invited to all the meetings as well as Internal Audit. He also said that he was also an Accountant by profession.



Cllr Njongo enquired as to how the Terms of Reference of the Committee were compiled and what criteria was used to appoint members of the public.

Responding, the Chairperson said that this committee was new, and the terms of reference were drawn up in line with the Municipal Finance Management Act guidelines.

Also responding, Cllr E Moosa Bux said that with regards to community representatives, an advert was placed in the newspapers and that only four members applied. He also mentioned that at the last council meeting the best two were chosen.

After questions of clarity had been satisfactorily answered,

It was

RESOLVED

That the Terms of Reference of the Oversight Committee be noted.

7. Disclosure of Interest

It was

RESOLVED

That members should fill in the disclosure of interest forms and return them at the next meeting.

8. Annual Report 2006/2007

The Chairperson took members through this item. He suggested that members should study the report and prepare their questions for the next meeting.

Cllr Zuma enquired as to how the research was done in terms of the educational level of the Coloured population. Responding, the Chairperson said that a study was done through a census with Department of Statistics South Africa and that they looked at demographics. He also mentioned that members should bear in mind that Coloureds were very few in our region.

The Manager: Secretariat, ICT and Auxiliary Services reminded members that annexure D, the checklist for the annual report would guide members in terms of the oversight processes.

Responding, the Chairperson said that they would look at annexure D when they have scrutinised all the documents, and then be able to answer all questions.

Cllr Njongo enquired as to whether they were expected to read the entire documentation.

Responding, the Chairperson said that he would like to concentrate on Chapter 4 of the report, being the the financial statements. Members commended the Secretariat for the manner in which the committee support documentation had been compiled.

After questions of clarity had been satisfactorily answered,

It was

RESOLVED

That the Chief Financial Officer as well as the Chairperson of the Audit Committee be invited to the next meeting.

9. In Committee matters

Nil.

10. Date of next meeting

It was noted that the date of next meeting would be Monday, 17 March 2008 at 14h00.

11. Closure

There being no further items for discussion, the Chairperson declared the meeting closed at 10h45.

CHAIRPERSON

17 March 2008



Annexure B

Minutes of the Oversight Committee Meeting held in the boardroom, Aqua House, 28 Connor Street, Port Shepstone on Tuesday, 17 March 2008 at 14h00.

Present:

Cllr J Janse van Vuuren : Chairperson
Cllr SM Zuma : Deputy Chairperson
Cllr E Moosa Bux
Cllr SO Njongo
Cllr NH Gumede
Cllr D Snashall
Mr T Krummeck
Ms N Boyce

In Attendance:

Mr L Mahlaka : Municipal Manager
Mr VH Hukum : Chief Financial Officer
Mr A Ramnath : Chairperson: Audit Committee
Ms Y Roboji : Manager: Secretariat, ICT and
Auxiliary Services
Mr SM Dlamini : Committee Coordinator

1. Notice of Meeting

The notice of meeting was taken as read.

2. Applications for leave of absence

Nil.

3. Confirmation of Minutes: meeting held on 10 March 2008

It was unanimously

RESOLVED

That the minutes of the meeting held on 10 March 2008 be confirmed.

{At this stage of the proceedings, the Municipal Manager advised members that the issue of parking coupons for Councillors had been discussed with the Hibiscus Coast Municipality. He mentioned that he was still communicating with them to secure a decision}.

4. Annual Report 2006/2007

The Chairperson of the Audit Committee advised members that in his view, there was no need for the General Manager: Treasury to repeat what was contained in the report. He said that members should only comment on the report

The Chairperson reminded members that they were expected to express their opinion based on what was contained in the document.

In terms of the Financial Statements, the General Manager: Treasury explained that same had been submitted to the Auditor-General and the report tabled before the committee was the correct audit report.



The Chairperson commended the format of the report and requested that the issue of assets management be addressed.

The General Manager: Treasury apprised members that they had communicated with brokers to indicate that the Ugu District Municipality was under-insured.

He assured members that the Auditor-General had guaranteed Ugu District Municipality that they would go through the draft document prior to its completion.

After members had shown that the content of the report was correct, using the checklist to ascertain whether this report had met the required standard, the Chairperson of the Audit Committee expressed his concern regarding the quality of the report in terms of grammar and other language usage mistakes.

He emphasised that the content of the report was acceptable, except that it had a number of grammatical errors, syntax and spelling mistakes.

He mentioned that after editing had been done, concentration should be on consistency, and grammatical errors. He advised

that emotive language be removed from the document and be made simple to read and understand.

Following discussion,

It was unanimously

RESOLVED

That the Officials be tasked to edit the report with the assistance of the Chairperson of the Audit Committee and submit a corrected version at the next meeting, scheduled for 25 March 2008.

5. Closure

There being no further items for discussion, the Chairperson declared the meeting closed at 16h19.

CHAIRPERSON

25 March 2008



Annexure C

Minutes of the Oversight Committee Meeting held in the boardroom, Aqua House, 28 Connor Street, Port Shepstone on Tuesday, 25 March 2008 at 09h00.

Present:

Cllr J van Vuuren : Chairperson
Cllr D Snashall
Mr T Krummeck
Ms N Boyce

In Attendance:

Mr L Mahlaka : Municipal Manager
Mr A Ramnath : Chairperson: Audit Committee
Ms Y Roboji : Manager: Secretariat, ICT and
Auxiliary Services
Mr SM Dlamini : Committee Coordinator

1. Opening Prayer

The Chairperson requested Cllr D Snashall to open the meeting in prayer.

2. Applications for leave of absence

Nil.

3. Annual Report 2006/2007

The Chairperson of the Audit Committee reported that when they obtained the report from the printers it contained more errors. He indicated that the service providers tasked with the printing of documents would still need time to complete the document.

However, he mentioned that after he had liaised with the Speaker, it transpired that there was no need to table a published Annual Report at the Council meeting of 27 March 2008 and that an approved document by the Oversight Committee would suffice.

He explained that there were numerous minor mistakes in the document that still needed to be rectified but the content was correct.

The Chairperson expressed his satisfaction over the report and its entire content and sounded confident that it was ready to be circulated to the Council meeting scheduled for 27 March 2008. He then reminded members that this was still a draft document until it was approved by Council.

Cllr Snashall suggested that he would forward a list of identified corrections to the Chairperson of the Audit Committee to effect them to the documents.

The Chairperson of the Audit Committee suggested that the municipality should have an editorial team that would dedicate its time to do the corrections and editing of the Annual Report in future, and liaise with the Auditor-General and printers.



In this regard, the Municipal Manager noted and assured members that this idea would be shared with the officials with a view to finding a solution that would help both the municipality and the Oversight Committee in future.

It must be noted that there were other issues raised during this meeting, which the committee was advised that had been addressed.

Following discussion

It was unanimously

RESOLVED

That the Oversight Report in respect of the 2006/2007 Annual Report be circulated to the Council meeting scheduled for 27 March 2008 for adoption.

4. Closure

There being no further items for discussion, the Chairperson declared the meeting closed at 10h12.

CHAIRPERSON

26 March 2008

