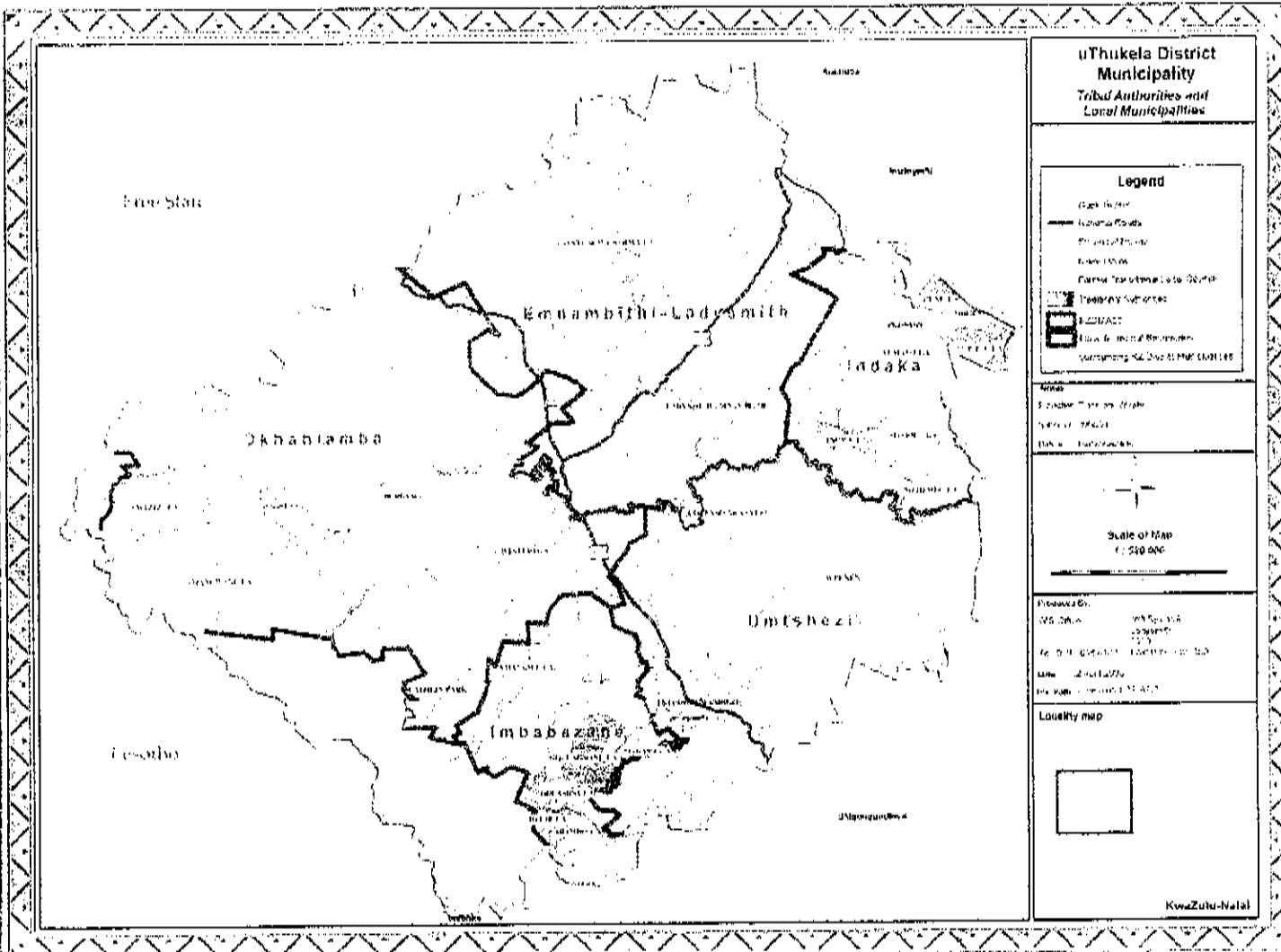


# ANNUAL REPORT

2006/2007





### *uThukela District Municipality Vision:*

*An improved quality of life for all in a globally interconnected, stable and developed region.*

### *uThukela District Municipality Mission:*

*To provide quality services and development in an efficient, effective, sustainable and cost effective manner.*

### *Developmental Aspects:*

- Improved quality of life, which includes cost efficient delivery of services and equitable access to public facilities;*
- A stable environment, which refers to both natural and physical environments;*
- A developed region, which emphasises linked and systematically ordered projects; and*
- Sustainable development.*





# ANNUAL REPORT 2006/2007



# Contents

	PAGE
MAYORAL FOREWORD	6
MUNICIPAL MANAGER'S STATEMENT	8
INTRODUCTION AND OVERVIEW	10
GENERAL INFORMATION/KEY STATISTICS	13
COUNCIL STRUCTURE	16
CORPORATE SERVICES	19
STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT	22
HEALTH AND ENVIRONMENTAL SERVICES	25
TECHNICAL AND INFRASTRUCTURE SERVICES	33
WATER SERVICES	45
FINANCIAL SERVICES	48
ANNUAL FINANCIAL STATEMENTS	54
<i>Mayoral Foreword to Financial Statement</i>	56
<i>Chief Financial Officer's Report</i>	57
<i>Accounting Policies</i>	60
<i>Balance Sheet as at 30 June 2007</i>	63
<i>Income Statement for the year ended 30 June 2007</i>	64
<i>Cash Flow Statement for the year ended 30 June 2007</i>	65
<i>Accumulated Funds, Trust Funds, Provisions and Reserves</i>	78
<i>External Loans and Internal Advances</i>	79
<i>Analysis of Fixed Assets</i>	80
<i>Analysis of Operating Income and Expenditure</i>	81
<i>Detailed Income Statement</i>	82
<i>Statistical Information</i>	83
<i>Cash Flow Statement for the year ended 30 June 2007</i>	84
PERFORMANCE REPORT FOR 2006/2007	85
PERFORMANCE TARGETS FOR 2007/2008	93
REPORT OF THE AUDITOR GENERAL	102
RESPONSE TO THE AUDITOR GENERAL REPORT	109





## *Mayoral Foreword*

It is my great pleasure to present the 2006/2007 Annual Report for the uThukela District Municipality. It is that time of the year where we look back and assess our progress insofar as the mandate which was given to us by the electorate.

The 2006/2007 financial year has been met with tremendous challenges. Firstly, our council needed to continue to face problems inherited from the previous water service authorities. This included dilapidated infrastructure with no provision made for replacements, inherited loans and the high unemployment rate which results in an increased in indigents. Secondly, the non payment factor contributed to our financials and audit report which show that our clients are not paying for the services rendered, which has in turn resulted in an increase in financial pressure in paying consumers and the council insofar as cash flows are concerned.

Council is considering various innovative ways of maximising service delivery within the above-mentioned constraints. This includes researching the market for solutions to monitor pressure, improved communications and improve debt collection and credit control.

Despite the above-mentioned challenges, there are success stories which can be told. To mention but a few, council has spent 100% of its capital projects through which a number of job opportunities were created and improved access to water services, thus improving the lives of people.

It should be noted that the current management actions have yielded positive results. This is clear from the achievements accomplished in this financial year as contained in this report. Surely our communities benefited a lot during this financial year although there is still a long way to go towards addressing the backlogs in their needs, such as water and sanitation services. Besides all these challenges the co-operation experienced between the Local Municipalities and the District Municipality is





commented for the success we have achieved thus far. I am more than confident that with this kind of contribution from our officials as well as councillors serving in the uThukela District Municipality we will be able to cope with future challenges. With the measures put in place and positive indications thus far, it is to my conviction that the current situation will be successfully overcome.

It is therefore my heartfelt wish that the co-operation and this spirit of co-operative governance persist even beyond the 2006/2007 financial year. I therefore hereby present our Council's annual report for the 2006/2007 financial year.

)

COUNCILLOR S.M. SITHOLE  
MAYOR: UTHUKELA DISTRICT MUNICIPALITY

)

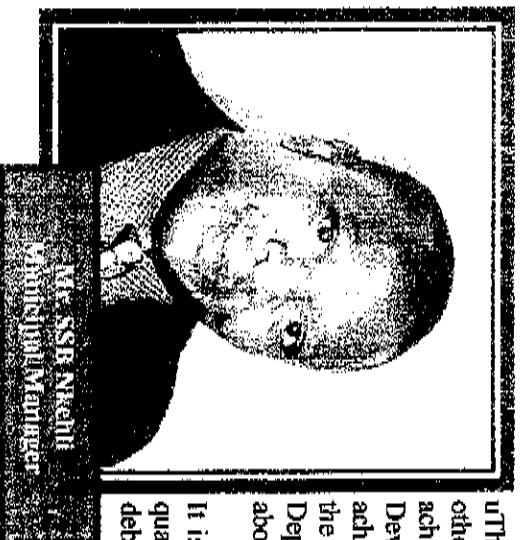




## Municipal Manager's Statement

uThukela District Municipality like many other municipalities is obliged to follow and achieve its objectives as per the Integrated Development Plan. We have succeeded in achieving the current years objectives as set in the above-mentioned plan. Heads of Departments share some highlights to the above in their sections.

It is of great concern that our financials were qualified on the basis of provision for bad debts. Regrettably our debtors book is increasing as a result of various factors including organised resistance by certain communities, in particular a portion of uMfshazi.



The challenges and opportunities facing uThukela District Municipality are well spelt out when considering a brief background of our municipality. uThukela District Municipality is one of ten district municipalities within the province of Kwazulu-Natal and its area of jurisdiction stretches to include the District Management Area (DMA23).

Besides its capacity to supply water to a large portion of Kwazulu-Natal and Gauteng it is characterized by an abundance of natural beauties and rich history with the Drakensberg Mountains, declared a World Heritage Site and the Battlefields. Not to mention the fact that it is situated between the two major economic hubs, being Durban and Johannesburg. Therefore our Municipality has a potential for economic growth.

According to the 2001 Census, there are 656,986 people living within uThukela District Municipality's area of jurisdiction. In 2001 the absolute employment rate was 41%, while the absolute unemployment rate was just below 59% of the economically active population of 183,530 people. Taking into consideration that we are now five years down the line circumstances are likely to have worsened. Such statistics are a clear indication of the economic threat to the sustainability of services within the District.

Unless there is improvement on the same there will be more demand on the

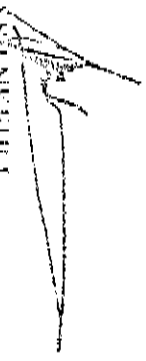






municipality to pursue other sources of funding as the residents will not be able to afford the cost of operation and maintenance of the services. Therefore it is in the interest of all stakeholders to assist the municipality in boosting the local economy. Besides the above, services backlogs which His Worship the Mayor has alluded to, is a major challenge since most of our residents have no access to some basic services.

In conclusion, I would like to thank the team for putting extra effort towards ensuring that the developmental needs for this financial year were accomplished. Without them and all the personnel in their departments the Council would not have managed to be where it is to date. With these words it is a pleasure to present a report on the operations of this Municipality during the 2006/ 2007 financial year.

  
SSB NKEHILL  
MUNICIPAL MANAGER

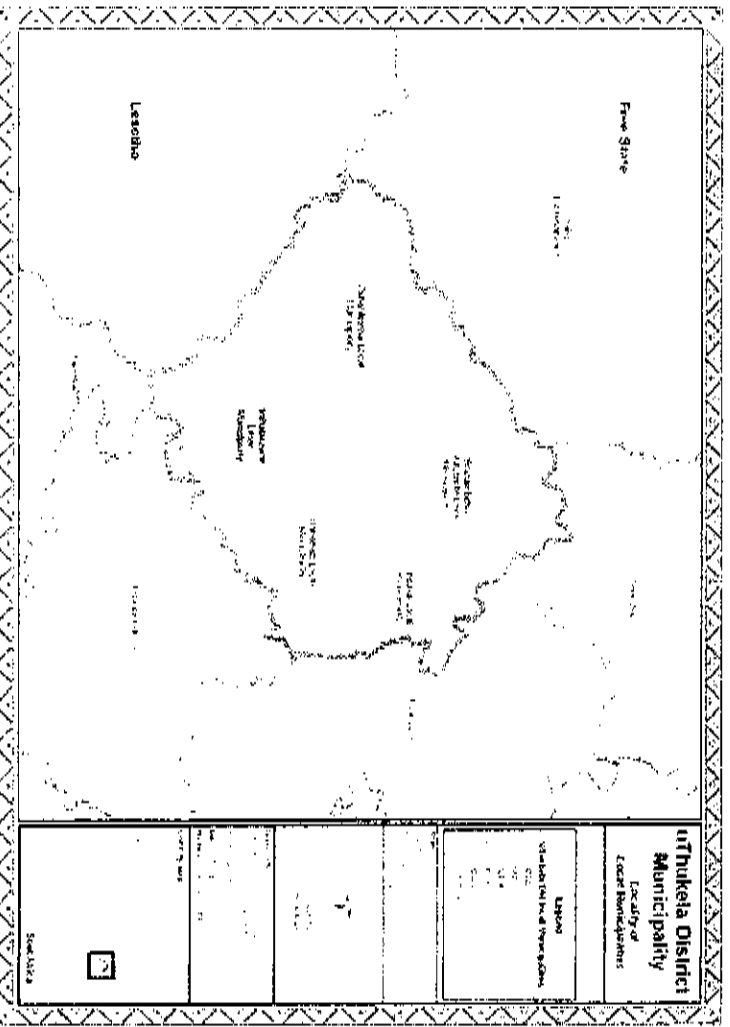




## *Introduction and Overview*

The uThukela District Municipality is one of 10 district municipalities within KwaZulu-Natal, with an area of 11,329,065 km<sup>2</sup>. It is located along the western boundary of KwaZulu-Natal, wedged between the boundaries of the Kingdom of Lesotho and the Free State Province. The district consists of five local municipalities and one District Management Area (DMA), namely:

- Ermambuthi Local Municipality (KZ232)
- Indaka Local Municipality (KZ233)
- Umsheszi Local Municipality (KZ234)
- Okhahlamba Local Municipality (KZ235)
- Imbabazane Local Municipality (KZ236)
- District Management Area 23 (KZDMA23)



The uThukela District Municipality derives its name from one of the major provincial rivers, namely the Tugela River that rises from the Drakensberg Mountains and supplies water to a large portion of KwaZulu-Natal and Gauteng.



The uThukela District Municipality is predominantly rural, with approximately 75% of the population living on the rural landscape and the two newly demarcated local municipalities, Indaka and Imbabazame, having no formal towns and mainly comprising of traditional areas. The District is bisected by the N3 National Road, offering limited benefit to the people of the District. The economic hub of the District is the town of Ladysmith with the industrial areas of Danskraal and the Ithala Industrial Estate, as well as to a lesser extent, the town of Estcourt.

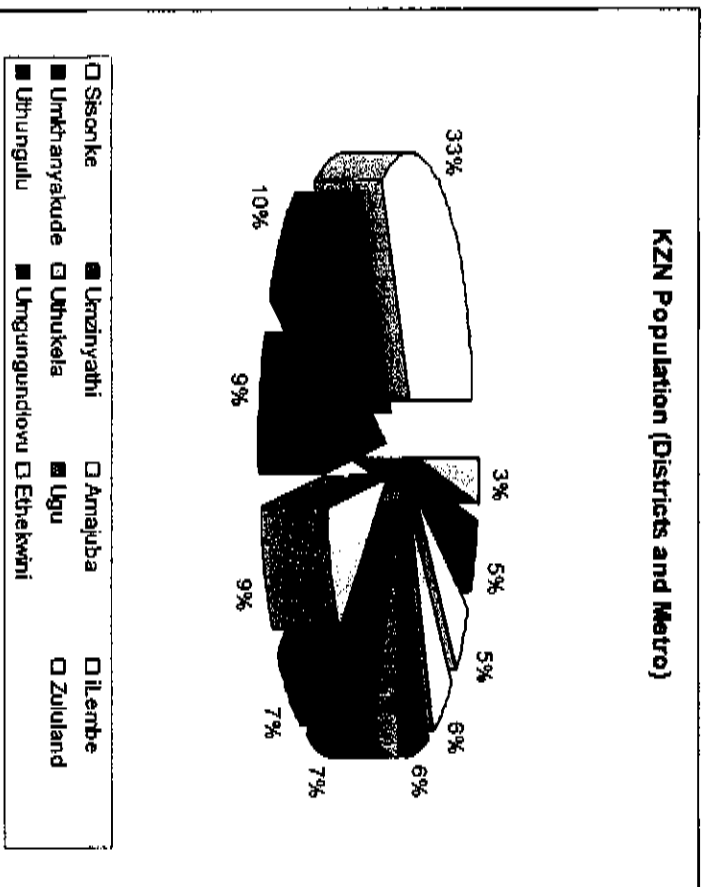
Located within the uThukela District Municipality is the Ukhahlamba Drakensberg World Heritage Site, which comprises mostly of the District Management Area, stretching 93958,22 hectares, or 8,3% of the area of the District. The main tourism hub is the Cathkin Park, which falls within the Cathkin Park Development Node, with a second development node located near the Royal Natal National Park, called the Bahangbone Development Node. The towns of Bergville and Winterton are located within the vicinity of the Drakensberg and derive some benefits from the tourism industry. The town of Ladysmith is a significant historical tourism destination and offers a number of museums and historical sites.

The uThukela District Municipality has a population of 680,333 people (updated figures supplied by Department of Health), which calculates to a density of 60 people per square kilometre. The population is predominantly female, with 367,787 females and 312,546 males. The average annual household income is R23,419 and the annual income per capita is R3,046. The majority of the population within the uThukela District Municipality is African (94,5%), followed by Indian (2,5%), White (2,5%) and Coloured (0,5%). From the 388,465 economically active population, 78,340 (20%) is employed, 111,713 (29%) is unemployed and 198,412 (51) is not working. Of the people seeking employment, 58,78% is therefore unemployed. The table below compares the employment figures for the uThukela District Municipality with that of the KwaZulu-Natal Province.

	Population Employed	Population Unemployed	Population Not Working	Absolute Employment Rate	Absolute Unemployment Rate
KwaZulu-Natal	28%	26%	46%	51,26%	48,74%
uThukela DM	20%	29%	51%	41,22%	58,78%

The uThukela District Municipality has 7% of the total population of KwaZulu-Natal, which is slightly above the provincial average of 6,7% and compares in population size to the Ugu District Municipality. The figure below indicates the comparative population of the districts and metro within the province of KwaZulu-Natal.





The uThukela District has an annual average rainfall of over 1,000mm over most of its area and a mean maximum temperature of between 13.5 °C and 25.9 °C and a mean minimum temperature that varies between 3.7 °C and 12 °C. The temperature in the Indaka and Umsthezi municipal areas are higher than the rest, mainly as a result of their distance from the Drakensberg, that in general has a lower temperature.

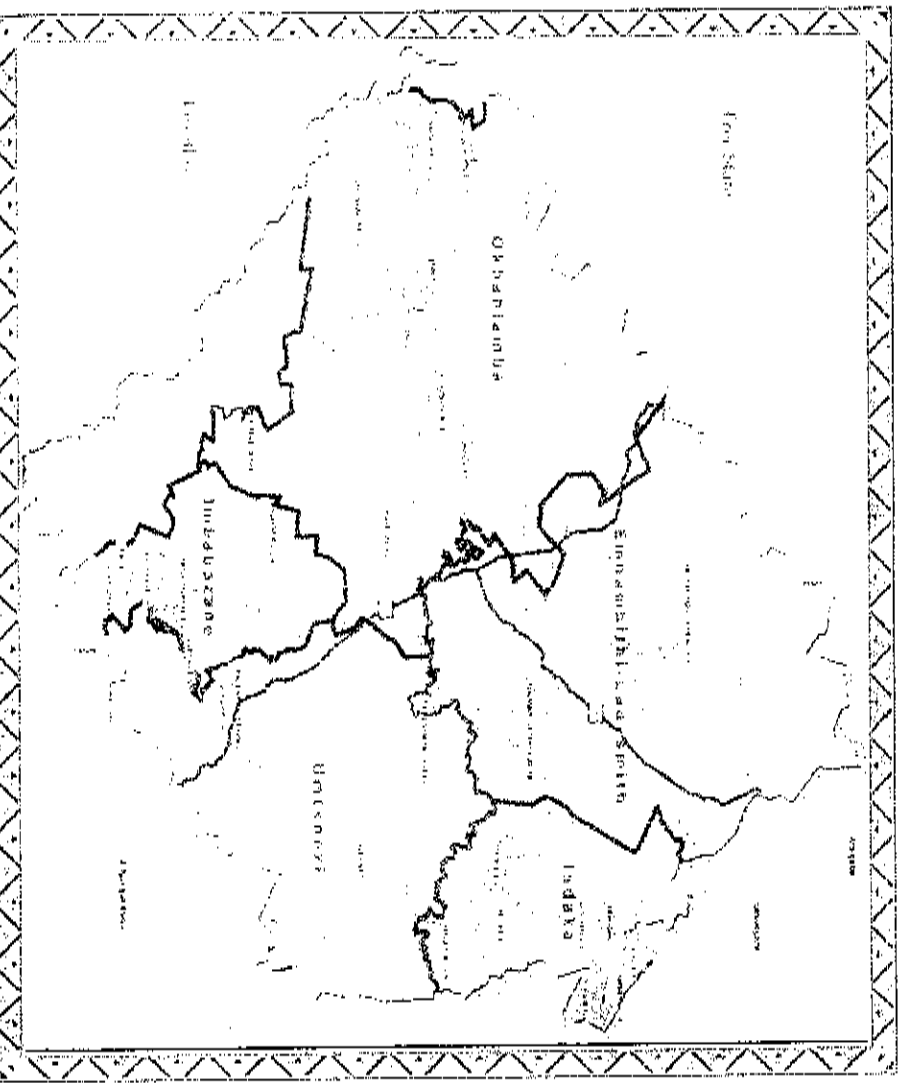
Employment is mainly in the manufacturing industry, followed by community/social services and the wholesaler/retail sectors. Most people are employed in elementary positions, followed by plant/machine operators and craft and trade. The manufacturing industry therefore plays a significant role in employing the people of the uThukela District.



## General Information/Key Statistics

### uThukela District Municipality

- |                            |  |
|----------------------------|--|
| • Area:                    | 11,329,065 km <sup>2</sup> (1,132,906.5ha) |
| • Population:              | 680,333                                    |
| • Density:                 | 60 people/km <sup>2</sup>                  |
| • Unemployment rate:       | 58.78%                                     |
| • Local Municipalities:    | 5 and 1 DMA                                |
| • Local Authority Grade:   | Category 4                                 |
| • Urban Rural split:       | 25% urban 75% rural                        |
| • Municipal Councilors:    | 30 (3 full-time)                           |
| • Traditional Authorities: | 18   |

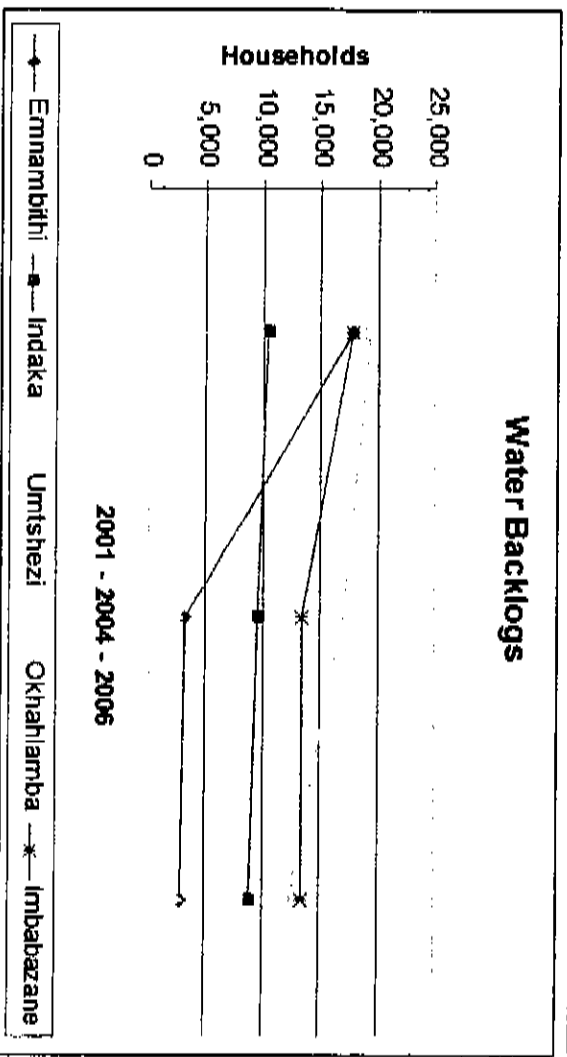


## Water and Sanitation Backlogs

The core function of the uThukela District Municipality is the provision of water and sanitation services. The following tables and graphs indicate the progress made up to the second halve of 2006:

### Water Backlogs

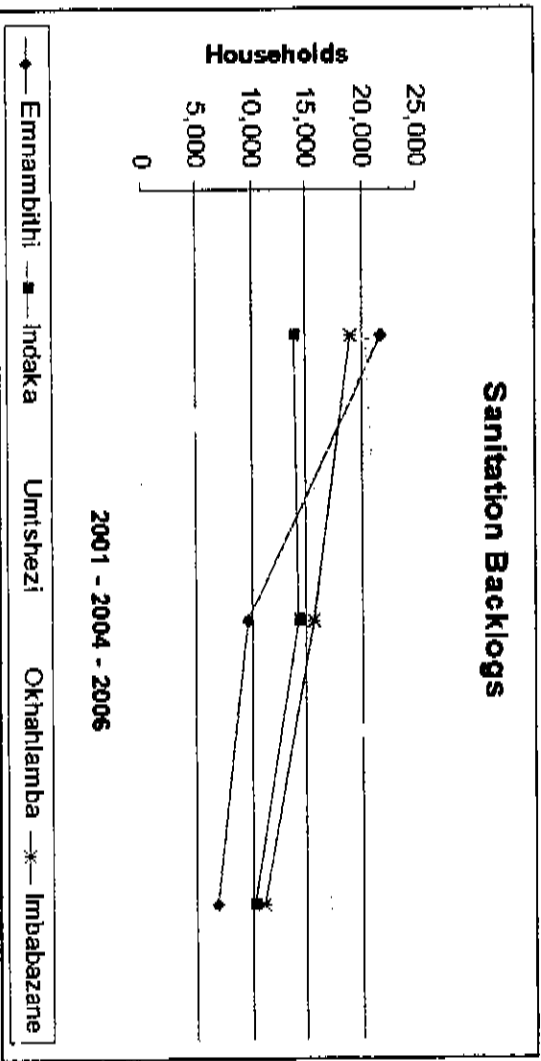
LM	Water Backlogs 2001		Water backlogs 2004		Water backlogs 2006	
	House-holds	%	House-holds	%	House-holds	%
Emnambithi	17,718	13	3,104	2	2,750	2
Indaka	10,324	6	9,556	7	8,807	7
Umtshezi	4,469	4	2,520	2	2,520	2
Okhahlamba	19,339	14	16,889	13	12,289	9
Imbabazane	17,868	13	13,464	10	13,464	10
DMA	37	0	0	0	0	0
<b>Total DM</b>	<b>69,758</b>	<b>52</b>	<b>45,533</b>	<b>34</b>	<b>39,530</b>	<b>30</b>



### Sanitation Backlogs

LM	Sanitation Backlogs 2001		Sanitation backlogs 2004		Sanitation backlogs 2006	
	House-holds	%	House-holds	%	House-holds	%
Emnambithi	21,743	16	9,740	7	6,908	5
Indaka	13,988	10	14,228	11	10,137	8
Umtshezi	5,616	5	3,386	3	2,520	2
Okhahlamba	20,370	15	21,707	16	17,862	13
Imbabazane	19,050	14	15,714	12	11,096	8
DMA	10	0	0	0	0	0
<b>Total DM</b>	<b>90,747</b>	<b>60</b>	<b>83,989</b>	<b>47</b>	<b>40,323</b>	<b>36</b>

### Sanitation Backlogs



### 2001 Population per Local Municipality

Municipality	Wards	Area	Population 2001	Households 2001
Emnambithi/Ladysmith	25	2,964.822km <sup>2</sup>	225,459	50,530
Indaka	10	991.528km <sup>2</sup>	113,644	21,372
Umtshezi	7	2,130.288km <sup>2</sup>	59,921	13,093
Imbabazane	12	827.349km <sup>2</sup>	119,925	23,030
Okhahlamba	13	3,475.496km <sup>2</sup>	137,525	26,677
KZDMA23		939.5852km <sup>2</sup>	465	143
uThukela DM	Total 67	11,329.065km <sup>2</sup>	656,939	134,845





## *Council Structure*

The uThukela District Municipality comprises of thirty (30) councillors of which eighteen (18) are representatives from the Local Municipalities (inclusive of the DMA representative), i.e. Emaimbithi/Ladysmith, Indaka, Umshezi, Imbabazane and Okhahlamba. Twelve (12) councillors are proportionally represented:



**Cllr. S.M. Sibhoole**  
He Worship the Mayor  
of Thukela District Municipality



**Cllr. S.A. Mvelo**  
Deputy Mayor  
of Thukela District Municipality



**Cllr. N.M. Radebe**  
Speaker  
of Thukela District Municipality

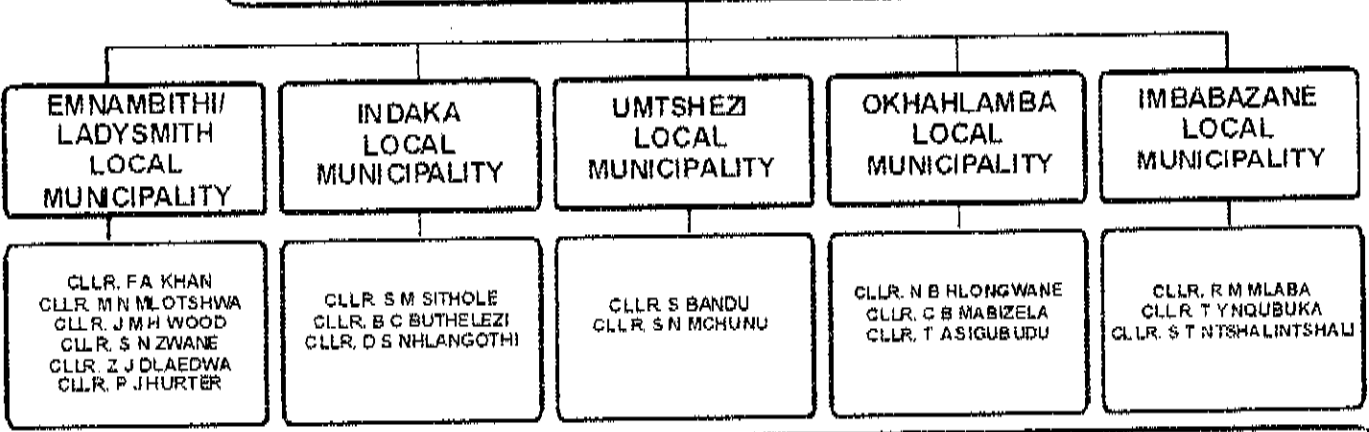




**PROPORTIONAL ELECTED**

Cllr. S.A Mvelase	Cllr. M.C. Mchunu	Cllr. C.J.S. Nunes	Cllr. S.P. Hadebe
Cllr. N.M. Hadebe	Cllr. B.A. Mnculwane	Cllr. T.M. Cele	Cllr. M.D. Mazibuko
Cllr. M.G. Hlubi	Cllr. T.P. Mazibiko	Cllr. E.N. Lushaba	Cllr. B.H. Sithole

**REPRESENTATIVES FROM LOCAL MUNICIPALITIES**



**REPRESENTATIVE FROM DISTRICT MANAGEMENT AREA (DMA)**

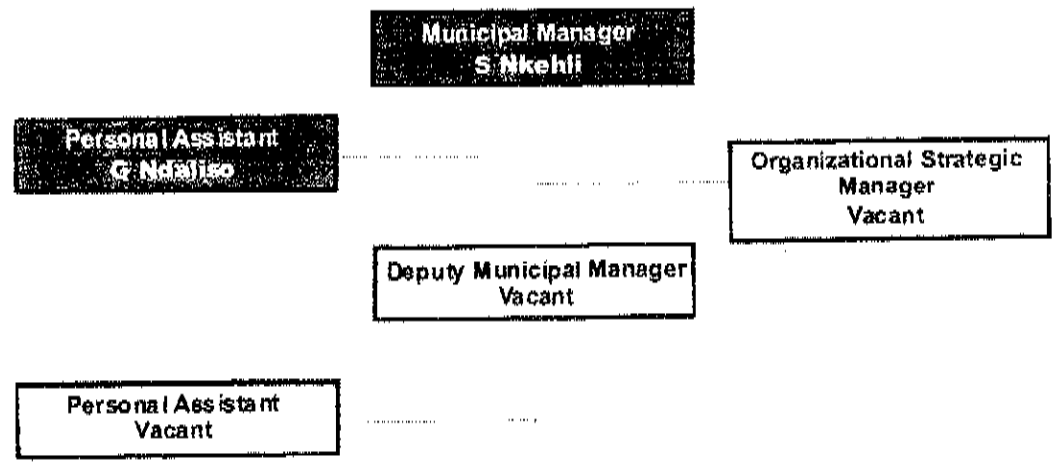
CLLR. V M ZIMBA



# Uthukela District Municipality's Heads of Departments

Position  
Filled

Position  
Vacant



Executive Director Technical	Executive Director Health	Executive Director Economic Development	Executive Director Social Services	Executive Director Water Services	Executive Director Municipal Administration
---------------------------------	------------------------------	--	---------------------------------------	--------------------------------------	--

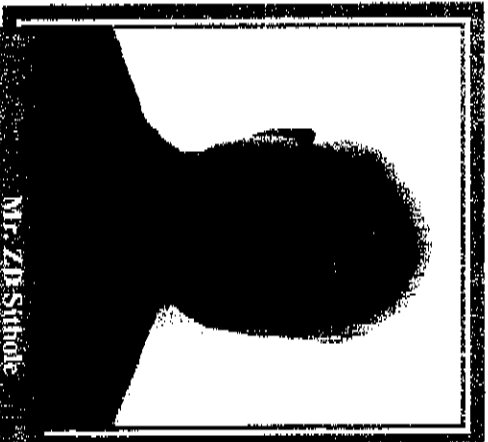
## Corporate Services

### Introduction

The core function of this department is to maintain, develop and provide support to all the departments within the Council. It focuses on the entire Council's administration, secretariat, human resources, development facilitation and disaster management. It is a pleasure to present a report on the functioning of this Department during the 2006/2007 financial year.

### Administration

Ensuring communication links and a conducive environment for day to day basis activities of the council within and



**Mr. Zib Sithole**  
Executive Director, Corporate Services

with the outside world is the main function of this section including *inter alia* the maintenance of communication systems (control of landlines and cellular phones) office keeping (maintenance of our offices) and administrative support to the political wing. The importance of customer care has been maintained by ensuring that the Satellite Offices located within the Local Municipalities are well maintained and serviced accordingly where there is still a need to allow easy customer access throughout the region. These offices are based at Emmanbithi/Ladysmith (Pieters, Lyell Street, Murchison Street, Alexandra Street and Colenso); Okhahlamba (Bergville Water / Satellite Office) and Umsthezi (Estcourt and Weenen Water / Satellite Offices). Far and above, this section has continuously ensured that these premises are secured. In the main offices the council has managed to save approximately R200 012.15 in telephone costs by utilizing the telephone routing system.

It is of the utmost importance to mention that this section co-ordinate all the meetings that are held within the council respectively.

### Secretariat

Compilation of agendas, taking of minutes and keeping records of all meetings proceedings is the responsibility of this section.

Following is the table reflecting the total number of meetings held during this financial year -

Meeting	No.
Executive Committee	5
Council	7
Management Meetings	29
Tender or Procurement Process Meetings	31
uThukela District Intergovernmental Forum	01
Technical Support Structural Committee	01

#### **Disaster Management**

In this financial year this section has successfully completed the Disaster Management Plan and Snow Contingency Plan. A District Advisory Forum and Incident Management Committee were also established. The Committee managed to respond to natural disasters which effected our district by issuing tents, blankets and plastic sheeting to the needy. With the support from the Provincial Department of Social Welfare it also provided food parcels during disasters. In 2006/2007 450 tents, 670 blankets and 500 plastic sheets were issued during disasters.

Apart from its own resources the Department of Local Government and Traditional Affairs also assist in case of disasters which strike beyond the ability of the District Council to manage.

#### **Human Resources**

##### **Employment Equity**

The Employment Equity Plan for the uThukela District Municipality was drawn up in 2002/2003 for a period of 5 years and expired in June 2007. The Employment Equity Plan 2007/2008 has been developed and is awaiting Council's approval.

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

uThukela District Municipality makes training and development of staff a big priority especially from previously disadvantaged groups and lower levels of the organogram. A variety of training interventions have been planned for staff especially from the Water Services Department which has been identified as of high priority including



assistance in acquiring trade tests, training learner operators to acquire operator's qualification as per DWAF requirement. Learnership which will reduce the skills gap in the community has also been prioritized in the Workplace Skills Plan.

The Municipality has the Conditional Grant Bursary scheme, which has been updated to be in line with the Local Government: Municipal Finance Management Act, 2003 for permanent employees to further their academic qualifications through distance learning. For the year ending 2006/2007, five (5) of our permanent staff benefited through this scheme.

#### Staff Structure

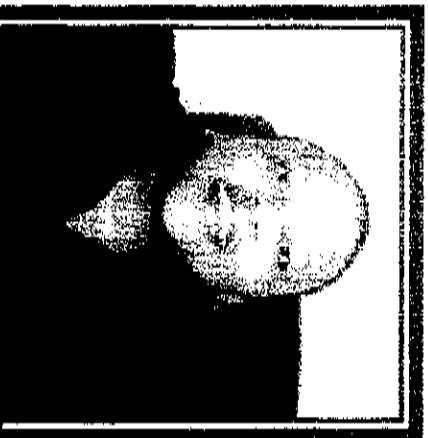
Total Number of Staff per Department 2006/2007	
Management	02
Financial Services	30
Corporate Services	45
Strategic Planning and Economic Services	11
Health and Environment Services	14
Water and Sanitation Services Department	484
Infrastructural Development	6

#### Development Facilitation

This section focuses its attention on ensuring that communities and all other stakeholders in the municipality's area of jurisdiction are participating and fully kept abreast of developmental activities conducted within the district. In the project cycle they break the ground and ensure that project steering committees are formed and trained. The facilitation involvement starts from inception to project implementation up to project handover to communities. In programmes, support is given to various departments in ensuring they are successful. This in turn gives assurance that all council's implemented programmes and service delivery projects are received in an understandable manner by beneficiaries.

Eighteen (18) water and sanitation projects and three (3) programmes implemented throughout the District during 2006/2007 were successful due to the facilitation role played by the Development Facilitation Section.

## *Strategic Planning and Economic Development*



**Miss NP Njoko**  
Executive Director Strategic Plan-  
ning and Economic Development



**Mr. WP Viljoen**  
Acting Executive Director Strategic  
Planning and Economic Development

During 2007 Miss NP Njoko left the uThukela District Municipality to pursue a career as Municipal Manager at the Umthshezi Local Municipality. Mr. Viljoen has been acting in her position as from 01 May 2007.

The Department consists of 12 officials, fulfilling the following functions:

- ✦ Local Economic Development
- ✦ Gender and Disabled
- ✦ Sport and Youth
- ✦ Tourism
- ✦ Strategic Planning
- ✦ IDP and Performance Management
- ✦ GIS and IT

### **Local Economic Development**

Two Gijima funded projects were completed during this period, namely: the Integration and Operationalization of LED plans from across the uThukela District Municipality and the Assessment of the Economic Impact of the Land Reform projects. The following projects are also progressing well: uThukela Arts and Crafts Development



Programme and the uThukela District Municipality Regional Economic Development Programme. The Regional Agricultural Plan is progressing well and the uThukela Tourism Plan has been completed and is awaiting adoption by the Municipal Council.

An initiative between Durban Tradeport and the uThukela District Municipality resulted in three crafters visiting Germany and Reunion to sell their goods. Training for LED was hosted by uThukela with funding from the Department of Economic Development and held at Nhlawe over a 12 month period. Funding was also secured to the amount of R1million from the Department of Land Affairs to revive the fish farming initiative at Sahlumbe. A District Growth and Development Summit was held on 01 and 02 February 2007 which focussed on Local Economic Development.

### **Tourism**

A Tourism Awareness Day was held at Okhahamba in October 2006. Schools from all over the District were invited to attend, with speakers from the Provincial Department of Arts Culture and Tourism, Tourism KwaZulu-Natal, uThukela District Municipality and Local Municipalities. A South African Police Service Cluster (Okhahamba Cluster) was established with the aim of dealing with issues of health and safety that impact on tourism. The uThukela District Municipality Tourism Development Plan was approved in May 2007.

On the 2010 front, the names of accommodation establishments that need assistance with the registration of their facilities with MATCH, the 2010 accommodation supplier, were identified and forwarded. A 2010 sign meeting was held to discuss dates for MATCH officials to visit destinations and explain the process of the 2010 sign up.

### **Integrated Development Planning**

The IDP has successfully been reviewed to inform the 2007/2008 Financial Year and has been adopted and submitted with all deadlines met.

The issues to be addressed during the 2007/2008 financial year include the following:

1. Backlogs in provision of infrastructural and social services
2. Economic development
3. Prevention of ill-health and promotion of wellness
4. Public safety and security
5. Enhancing administrative capacity within the district
6. Financial sustainability and viability of the district
7. Tenure security and shelter
8. Addressing the injustices of the apartheid past



### **Development Planning**

During the period 2006/2007 fourteen development applications were processed including four applications in terms of the Development Facilitation Act. The Water Services Development Plan was further adjusted to conform to the new DWAF guidelines. A backlog study was also undertaken in September 2006 to more accurately determine the water and sanitation backlogs as well as a Section 78 Assessment to confirm the optimal water provision at the most beneficial rate. The department also represents uThukela District Municipality on the World Heritage Site Buffer Steering and Technical Committees, where valuable input is being made regarding the establishment of a buffer around the World Heritage Site.

### **Performance Management**

The Performance Management Assessment for the period 2006/2007 was conducted and seven Section 57 employees were awarded performance bonuses accordingly. The Performance Management System for 2007/2008 was also completed during this period and aligned to the 2007/2008 IDP.

### **Geographical Information System**

Support was rendered to a number of Local Municipal GIS initiatives in the form of training, the supply of GIS information and support in complex GIS analysis.

### **Information Technology**

Support has to a great extent been internalised. This includes software, as well as hardware support. Training has been provided to one Local Municipality in the form of first tier support. This included the frequent updating of virus protection pattern files and general maintenance.

### **Sport and Youth Development**

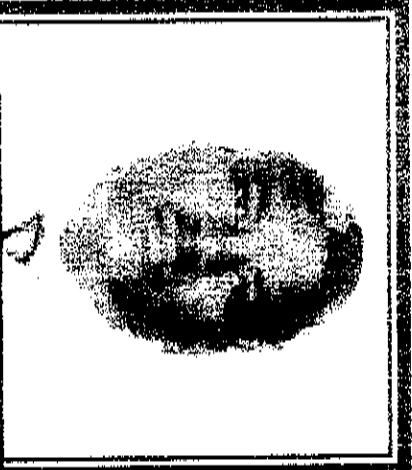
On the sporting front two successful events were held. The Mayoral Cup was held on







## HEALTH AND ENVIRONMENTAL SERVICES



**METHELENI NZA**  
2006/7 Assessment of Health and  
Environmental Services

### SECTION A: WATER SERVICES AUTHORITY FUNCTION.

#### Section 78 Assessment

##### Introduction

Despite the 2006/7 financial year being an extremely challenging one for uThukela District Municipality, it is pleasing to note that the Municipality remained steadfast in delivering Health and Environmental Services to the citizens of the uThukela District.

In December 2004, uThukela District Municipality was expelled from the uThukela Water (Pty) Ltd water utility company partnership. The split took place suddenly and unplanned. A Section 78 Assessment was therefore not done prior to the change of water and sanitation services delivery mechanism from an external to an internal mechanism. The Section 78 Assessment was therefore carried out retrospectively during the 2006/7 financial year. The findings of the Section 78 Assessment were as follows (Based on 2005/6 budget estimates):-

- The overall cost to the uThukela District Municipality was R5,4 million less than under uThukela Water entity.
- Salaries, wages and allowances were R6,7 million less under uThukela District Municipality.
- General expenses provision was R5,1 million less under uThukela District Municipality.
- Repairs and maintenance provisions were R6,4 million more under uThukela District Municipality.

Based on the findings of the Section 78 Assessment Report, it was concluded that the internal mechanism was a cost-efficient mechanism for water and sanitation services delivery in the uThukela District Municipality.



## ACCESS TO WATER AND SANITATION SERVICES

### Water Supply Backlog Reduction

2005/6 Financial year: Percentage of households without safe water supply: 30%  
2006/7 Financial year: Percentage of households without safe water supply: 25,5%  
Annual rate of water supply backlog reduction: 4,5%

### Sanitation Services Backlog Reduction

2005/6 Financial year: Percentage of households without appropriate sanitation facilities: 36%  
2006/7 Financial year: Percentage of households without appropriate sanitation facilities: 31%  
Annual rate of sanitation facilities backlog reduction: 5%

Based on the average rate of water supply backlog reduction of 4,5% per annum and sanitation services backlog reduction of 5% per annum, the National target for safe water supply to all by 2008 and provision of appropriate sanitation services to all by 2010 will not be met.

To eradicate the water supply backlog by 2008, an amount of R453,3 million is required and to eradicate sanitation services backlog by 2010, an amount of R170,7 million is required.

### Bucket System Eradication

During the 2006/7 financial year, the bucket system of toilet facilities was eradicated at Ekuvukeni Township situated in Indaka Local Municipality. One hundred and ninety six households benefited from the Bucket System Eradication Project.

### Water Quality Status

Microbiological water quality compliance status in respect of thirteen conventional water purification works monitored during 2006/7 financial year in line with Drinking Water Quality Standards SANS 241 - 2005 is depicted below:-



Name Of Works	Total Samples	Samples Non-Compliant	Samples Compliant	Percentage Compliant
Archie Rodel	204	3	201	99%
Bergville	93	0	93	100%
Colenso	115	4	111	97%
Ezakhani	245	0	245	100%
George Cross	216	2	214	99%
Ladysmith	270	0	270	100%
Langkloof	30	2	28	93%
Loskop	111	1	110	99%
Moyeni	74	1	73	99%
Olifantstokop	313	4	309	99%
Tugela Estate	16	3	13	81%
Weenen	38	5	33	87%
Wrenton	71	10	61	86%
<b>TOTAL</b>	<b>1796</b>	<b>35</b>	<b>1761</b>	<b>98%</b>

The overall microbiological quality of water was 98% compliant with the Drinking Water Quality Standards SANS 241-2005 during the period under review. This indicates good quality water.

#### Challenges

- Insufficient funds to improve the rate of reduction of water and sanitation backlogs.
- High number of indigent consumers (59% unemployment rate) resulting in non-payment of services.
- Old and dilapidated water and sanitation infrastructure causing perpetual bursting of water and sewer pipes.

#### Interventions

- Business plans developed and submitted to external funders to source funding to increase the rate of access to water and sanitation services.
- Promoted and supported self help income generating projects to benefit unemployed members of the community.
- Intensified water conservation and demand management awareness programme.



**SECTION B: MUNICIPAL HEALTH SERVICES FUNCTION**

**MUNICIPAL HEALTH SERVICES ANNUAL STATISTICAL REPORT**  
**UTHUKELA DISTRICT MUNICIPALITY**  
**PERIOD : JULY 2006 TO JUNE 2007**

**1. MEETINGS**

Type of Meetings	No. of Meetings
Staff Meetings	26
Management Meetings	36
District Meetings	2
Provincial Meetings	11
National Meetings	2
Community Meetings	20

**2. SKILLS DEVELOPMENT**

Type of Training Received	No. of Training Events
Workshops	4
Conferences	2
Courses	1

**3. COMPLAINTS**

Nature of Complaint	No.	No. Investigated	No. Satisfied	No. Unsatisfied
Sewer Overflow	160	160	149	11
Littering	24	24	24	0
Vegetation Overgrowth	62	62	48	14
Water Pollution	2	2	2	0
Air Pollution	1	1	1	0
Water Leakage	94	94	87	7
<b>Total</b>	<b>343</b>	<b>343</b>	<b>311</b>	<b>32</b>



#### 4. FOOD PREMISES INSPECTION

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Formal			
General Dealer	273	233	40
Take Away	93	73	20
Restaurant	94	77	17
Supermarket	52	44	8
Dairies	24	18	6
Butcheres	42	35	7
Informal			
Spaza Shops	123	95	28
Street Vendors	112	79	33
<b>Total</b>	<b>813</b>	<b>654</b>	<b>159</b>
Food Condemnation	27	7 985Kg	

#### 5. COMMERCIAL PREMISES

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Funeral Undertakers	117	103	14
Private General Practitioners	93	79	14
Pharmacies	12	12	0
Hazardous Substances	24	19	5
Crematoria	7	7	0
Dry Cleaners/ Laundry	66	59	7
Scrapyard	25	16	9
Sandwinning	-	-	-
Hotels/ Motels	29	20	9
Bed & Breakfast	82	71	11
<b>Total</b>	<b>455</b>	<b>386</b>	<b>69</b>

**6. INDUSTRIAL PREMISES INSPECTION**

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Asphalt Works	5	5	0
Gas Works	8	8	0
Metal Products	2	2	0
Paint Or Surface Coating	0	0	0
Spray Painting	10	8	2
Welding	7	7	0
Clothing Manufacture	9	8	1
Footwear Manufacture	5	1	4
Milling	6	6	0
Quarry	9	7	2
Rubber Moulding	3	3	0
Timber Manufacturing	5	5	0
Textile Works	19	15	4
Waste Collection	16	12	4
Petro Chemical Installation	24	23	1
<b>Total</b>	<b>128</b>	<b>110</b>	<b>18</b>

**7. INSTITUTIONAL PREMISES INSPECTION**

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Clinics	68	64	2
Hospitals	14	14	0
Crèches	77	62	15
Schools	76	58	18
Children's Homes	5	4	1
Place Of Safety	4	4	0
Rehabilitation Centres	-	-	-
Old Age Homes	23	13	10
Police Stations	7	7	0
Prisons	6	6	0
Magistrate Courts	8	8	0
Churches	22	18	4
Town/ Community Halls	60	44	16
<b>Total</b>	<b>368</b>	<b>302</b>	<b>66</b>

**8. RESIDENTIAL PREMISES INSPECTION**

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Formal Dwelling Units	131	105	26
Informal Dwelling Units	145	66	79
Other Specify	-	-	-
<b>Total</b>	<b>276</b>	<b>174</b>	<b>105</b>

**9. OTHER PREMISES**

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Abattoirs	3	2	1
Cemeteries	23	23	0
Kennels	2	2	0
Stables	0	0	0
Piggeries	0	0	0
Poulties	2	1	1
Swimming Pools	31	26	5
Farms/ Small Holdings	-	-	-
Other Specify	-	-	-
<b>Total</b>	<b>61</b>	<b>54</b>	<b>7</b>

**10. SURVEILLANCE AND CONTROL OF COMMUNICABLE DISEASES**

Description	No. of Notifications Received	No. Investigated	No. of Persons Affected
Cholera			
Typhoid			
Diarrhoea	4	4	13
Malaria			
Paraffin Poisoning			
Chemical Poisoning			
Pesticidal Poisoning			
Rabies/Dog Bite Investigation	17	17	17
Tuberculosis	4	4	4
Others Specify - Bilharzia	34	34	34
<b>Total</b>	<b>59</b>	<b>59</b>	<b>68</b>

## 11. HEALTH EDUCATION / PROMOTION ACTIVITIES/ EVENTS

Topic/Theme/ Name Of Event	Area/ Place Held	No. Of Audience
World Food Day	Mhlumayo	3,000
Water & Sanitation	Ezakheri	5,000
Personal Hygiene	Colenso	100
Water & Sanitation	Bluebank	400
Hiv/Aids	Roosboom	300
Food Safety	Watersmeat	366
Occupational Health & Safety	Urdm Staff	14
Health & Hygiene	Mhlumayo	1,500
Arbour Day	Estcourt	250
<b>Total</b>		<b>10,930</b>

## 12. OTHER ACTIVITIES

Description	No.
Imported Consignments	1
Licence Applications Comments	94
Plans Scrutinsisation	361
Prosecutions	-
Development Applications [Pty] Health Certificates	42
Other Specify	-
<b>Total</b>	<b>498</b>

## 14. CHALLENGES

- Shortage of Environmental Health Practitioners to adequately cover the whole district with Municipal Health Services delivery.
- Process of transfer of Municipal Health Services resources from the KZN Dept of Health to uThukela District Municipality.

## 15. INTERVENTIONS

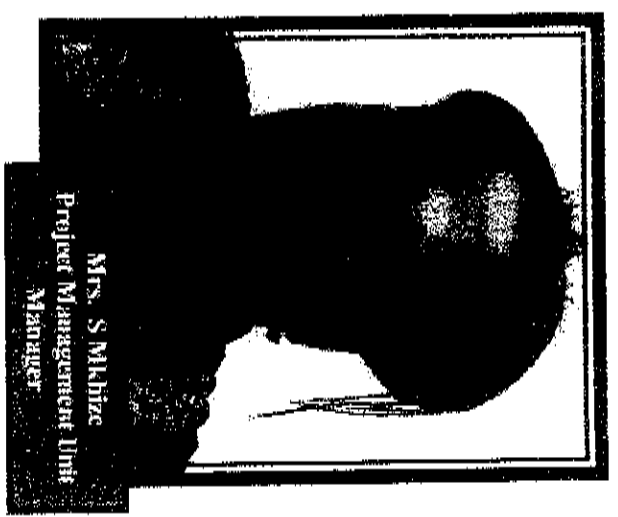
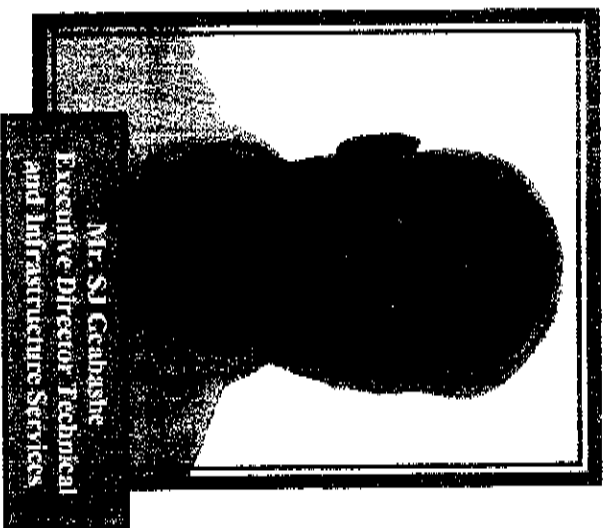
- Two new Environmental Health Practitioners were employed to compliment the existing Environmental Health Practitioners.
- Task Team established to deal with the process of transfer of Municipal Health Services resources.







## TECHNICAL AND INFRASTRUCTURE SERVICES



### BACKGROUND

In 2004 when MIG was introduced it placed emphasis upon the District Municipalities to establish an unit which will mainly deal with the implementation of water and sanitation projects within the District. This unit is within the Technical Department, reports to the Executive Director Technical and Infrastructure Services and comprises of the following personnel:

- PMU Manager
- 3 Technicians
- 1 Communications Officer
- 1 Data Capturer and
- 1 Personal Assistant

### VISION

To ensure that by 2012 all the people of uThukela District Municipality have access to water and sanitation.





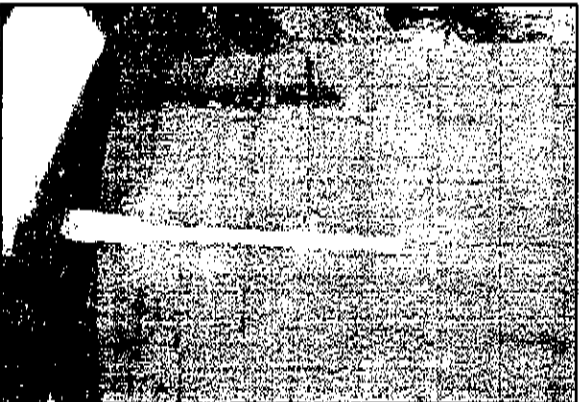
## MISSION

By 2012 all the people of the uThukela District will not only have access to basic services, but will also be able to operate and maintain their facilities. A portion of our annual allocation goes towards training the beneficiaries of projects, thereby ensuring the sustainability of the project.

From 2004 this unit managed to spend all its allocations for each year, which means that services are delivered to the intended communities. Expenditure of allocations has been 100% as reflected in the Financial Statements.

## WATER PROJECTS

### Ezakhemi Sewer Project



This project is divided into two phases. Phase 1 is the construction of approximately 40km of sewer reticulation, including 1,750 toilet top structures and internal sewer connections which are now complete. The contractor is currently attending to the final snags of the first phase.

Phase 2 is the construction of 1,456 top structures as the sewer reticulation in this area is in existence. Currently 710 toilet top structures have been completed.

Total budget for both phases: R 23,126,432.00

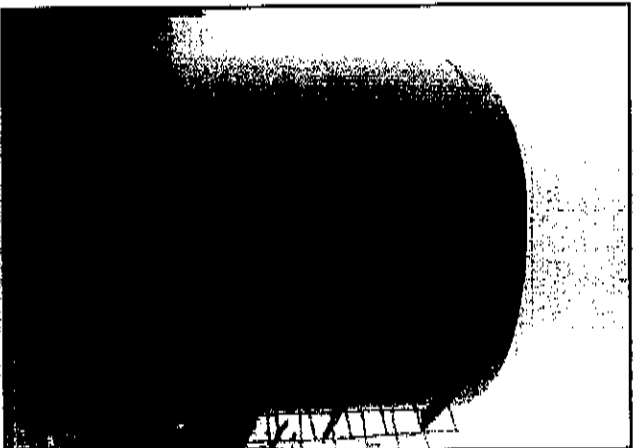
Expenditure to date: R 21,979,678.00

Population served: 5,824





### **Ntabamhlophe Project**



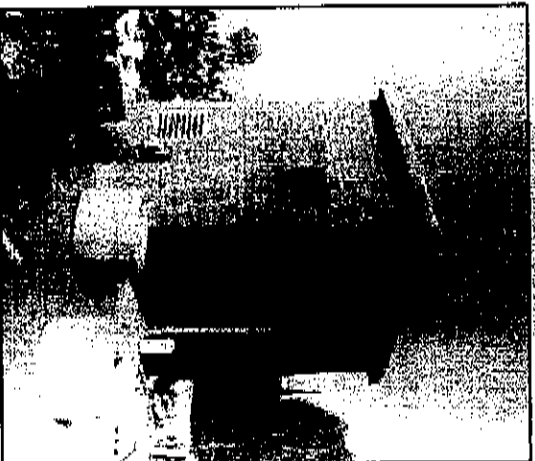
This project is divided into three categories. Phase 1: The construction of a 4.5km diameter 355 uPVC rising main and associated pump station feeding a 400kl reservoir. 11.5km Reticulation supplying 40 standpipes. Phase 2: The construction of a 2.5km Diameter 315 uPVC rising main and associated pump station feeding a reservoir. Phase 3: The construction of 1.4km diameter 110mm gravity main and 10.6km of reticulation. The reservoir, bulk lines and reticulation is complete. The project has been commissioned and handed over.

Total project budget: R20,538,153.68

Expenditure to date: R 20,300,410.59

Population served: ± 7,000

### **Umhlumayo Community Water Supply Scheme**



The project entails the construction of a 750kl reservoir, 11km rising main and abstraction works and 45 km reticulation of Entabenebomvu, Nodinda, Nhlonyane, Witteklein and Inhlambamasoka. Electricity connection has been completed and the project is in the process of being commissioned.

Total project budget: R36,437,911.00

Expenditure to date: R34,205,440.92





**Moyeni/ Zweishsa**

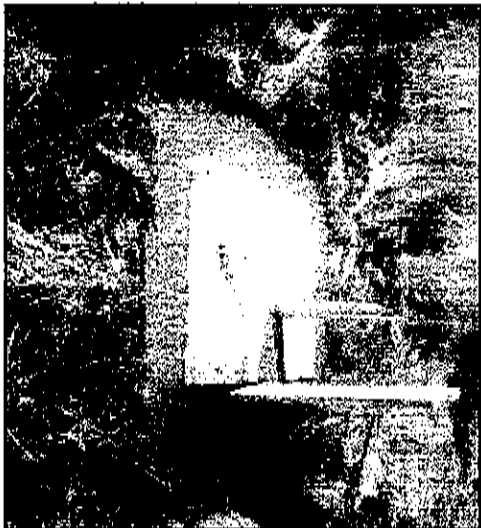
The project entails the construction of a 2ML/day water treatment works, the construction of the remainder of the Moyeni and Zweishsa reticulation, construction of bulk pipelines and pumping stations and extensions into Mazizini, Gugulethu, Newsstand and Olivershoek.

New budget following a variation order: R9,357,063.00

Expenditure to date: R4,055,071.20

Population served: 37,408

**Amanangwe Water Scheme Phase 5  
(Upgrading of Purification)**



The project consists of 10 reservoir areas from Reservoir A1 to A5 and C to C4.

The first phase is the reticulation for reservoir A5. The second phase consists of the reticulation for the reservoir areas A4, A3, C, C1, C2 and C4. The third phase is the reticulation for reservoirs A and A1. The fourth phase will consist of the bulk supply to Bhekuzulu. The fifth phase is the upgrading of the purification works.

Total project budget: R44,974,818.00

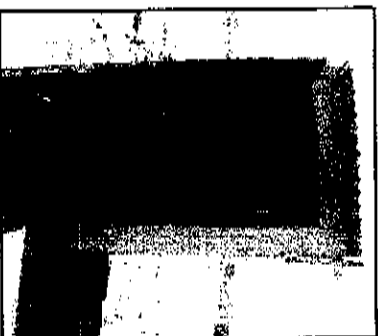
Expenditure to date: R44,974,818.00

Population served: 19,420



## SANITATION PROJECTS

### St Chads



The total number of structures constructed in St Chads is 2,237.

Total project budget: R5,786,410.00

Expenditure to date: R5,786,410.00

Population served: 10,692

### Bethany

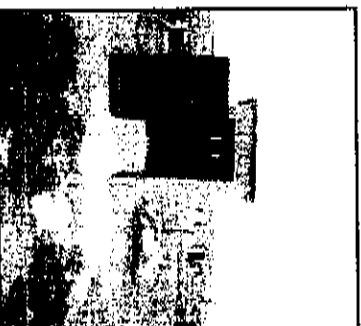
The total number of structures to be constructed is 1,052. Health and Hygiene promotion ISD support. Demonstration of toilet construction. Pit lining where necessary. This project is complete.

Total project budget: R2,825,457.00

Expenditure to date: R 2,825,457.00

Population served: 6,676

### Tatane / Mgedandaba



The total number of structures that has been constructed is 2,071. Pit lining where necessary. This project is complete.

Total project budget: R5,421,488.00

Expenditure to date: R5,421,488.00

Population served: 12,560





**KwaMkhize**



The extended community of KwamKhize has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. Mvula Trust implemented phase 1 of this project and completed 1,037 toilets serving 7,301 beneficiaries. Phase 2 is aiming to benefit 4,270 people, which is made up of 616 households.

Total project budget: R2,032,508.00

Expenditure to date: R1,805,490.00

**Enkomokazini**



The extended community of Enkomokazini has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. Mvula Trust implemented phase 1 of this project and completed 811 toilets serving 4,932 beneficiaries. Phase 2 is made up of 1,793 households. This project is complete.

Total project budget: R5,652,034.00

Total expenditure: R5,652,034.00

**Roosboom**



The extended community of Roosboom has been prioritized by the Thukela District Municipality for implementation of a sanitation project. Mvula Trust implemented phase 1 of this project to benefit 15,048 people made up of 2,508 households. 363 VIP toilets have been constructed.

Total project budget: R8,057,916.00

Expenditure to date: R2,552,812.36





**Zweisha (Okhahlamba)**

The extended community of Zweisha (Okhahlamba) has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. Mvula Trust implemented phase 1 of this project and completed 646 toilets serving 3,245 beneficiaries. Phase 2 aims to benefit 15,795 people, made up of 3,162 households.

Total project budget: R10,025,217.00

Expenditure to date: R2,565,037.14



**KwaVala**

The extended community of KwaVala has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. Mvula Trust implemented phase 1 of this project and completed 402 toilets serving 2,222 beneficiaries. Phase 2 aims to benefit 13,739 people made up of 2,500 households.

Total project budget: R8,125,439.00

Expenditure to date: R2,830,873.13



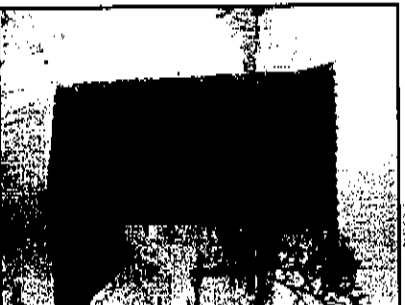
**The following projects were approved by MIG for 2007/2008 financial year.**

**Watersmeet**

The extended community of Watersmeet has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. This project was previously done by Mvula Trust and was not 100% completed. The new business plan intends to award 100% coverage to this project. This project benefits 4,097 householders and a population of 24,072 people. 350 VIP toilets have been completed.

Total project budget: R13,150,583.00

Expenditure to date: R2,819,466.40





**Edashi**

The extended community of Edashi has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. This project was previously done by Mvula Tust and was not 100% completed. The new business plan intends to award 100% coverage to this project. This project benefits 2,100 households and a population of 18,855 people. 220 VIP toilets have been constructed.

Total project budget: R6,968,721.00

Expenditure to date: R2,393,443,11

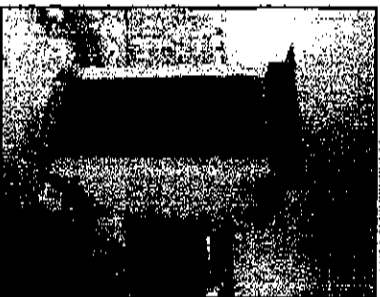


**Emahlushini**

The extended community of Emahlushini has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. This project was previously done by Mvula Tust and was not 100% completed. The new business plan intends to award 100% coverage on this project. This project covers 1,896 households and a population of 11,916 people. 240 VIP toilets have been constructed.

Total project budget: R6,782,892.00

Expenditure to date: R2,532,172.57



**Emmause**

The extended community of Emmause has been prioritized by the uThukela District Municipality for the implementation of a sanitation project. This project was previously done by Mvula Tust and was not 100% completed. The new business plan intends to award 100% coverage on this project. Formation of the SPSC and training thereof, Health & Hygiene promotion, ISD support, demonstration of toilet construction, builder training. Pit lining where necessary. This project benefits 3,755 households and a population of 22,440 people. 300 VIP toilets are being constructed.

Total project budget: R11,656,115.00

Expenditure to date: R2,532,172.57







**Driefontein Complex Bulk Water supply & Community Reticulation Project**

1. This is the establishment of a Bulk Water Supply to the Driefontein Complex:

- 1.1 New pump station at Ladysmith Treatment Works.
- 1.2 Booster Pump Station between Ladysmith and Driefontein.
- 1.3 Bulk Feeder Mains – 13km.
- 1.4 New 3MJ balancing reservoir at Hobsland.

2. The establishment of a Bulk Water Distribution Network within the Driefontein Complex:

- 2.1 78 Km water mains of varying diameter.
- 2.2 Eight new storage reservoirs ranging between 100kl and 500kl.
- 2.3 Development of production boreholes (interim water sources)

Total project budget: R126,101,368.00

Expenditure to date: R736,829.68

Total population in this project: ± 65,830

**Bergville Bulk Water Project**

A contractor has been appointed and the project is expected to commence shortly.

Total project budget: R24,362,664.00.

Expenditure to date: R636,262.65



### **Obonjaneni Water Scheme**

This is a construction of a weir and river abstraction installation. This project is complete.



### **Roosboom Water Supply**

This is the construction of a 250mm diameter bulk water supply pipeline from Median's Castle Reservoir to Twin Hill Reservoir in the Roosboom Township. The project has been divided into labour only and supply delivery of materials only from the original conventional contract. The project also incorporates the construction of a booster pump station and a 50kl reservoir.

The project is on hold due to landownership issues.

Total budget for this project: R7,624,561.21

Population served: 8,585





**Moyeni /Zwelisha Dukuza-Hoffental CWSS**

This project is in the preliminary design stage and the area supply model is complete. The on-site investigation into the status of the existing Dukuza reticulation is complete. The project has gone out on tender.

Total budget for this project: R26,103,599.00

Expenditure to date: R942,737.00

Population served: 12,500

**Mhlumayo Sportsfield**

The following items have been completed:



Palisade fence, abluition block, grand stands, earthworks and irrigation system. Grassing is the only item that is incomplete, due to a water problem in the area.

Overall project progress 100%

Allocated Budget: R1,000,000.00

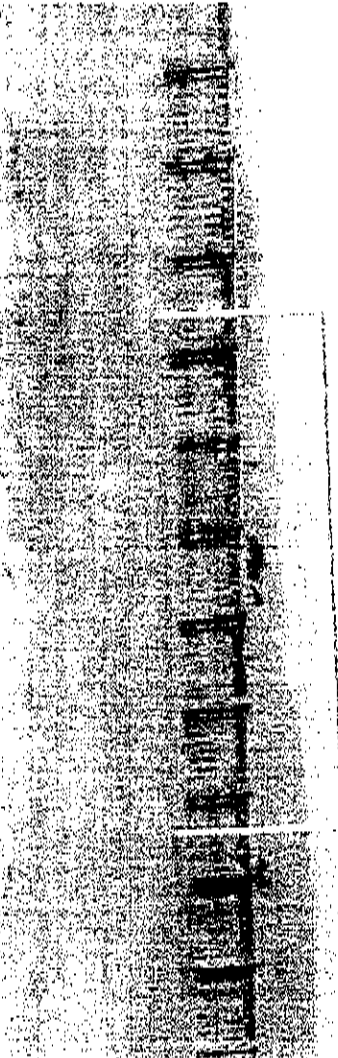
Expenditure: R1,000,000.00





**Ntabamhlophe Sports field**

There are no outstanding items; this project is 100% complete.



Allocated budget for this project: R1,200,000.00

Expenditure to date: R1,166,450.36

**Newstand Sports field**

The project involves the construction of a sports field.

Total budget for this project: R1,200,000.00

Expenditure to date: R114,624.00

**Ekuvukeni Taxi Rank**

The project involves the construction of a taxi rank at Ekuvukeni to commence shortly. All the required documentation has been submitted by the Contractor.

Total budget for this project: R915,575.00

Expenditure to date: R25,389.00





## WATER SERVICES

### Introduction

The review period of this report is from 1 July 2006 to 30 June 2007. A number of changes took place during this period and a lot of challenges were posed to the department.

### Bulk Services

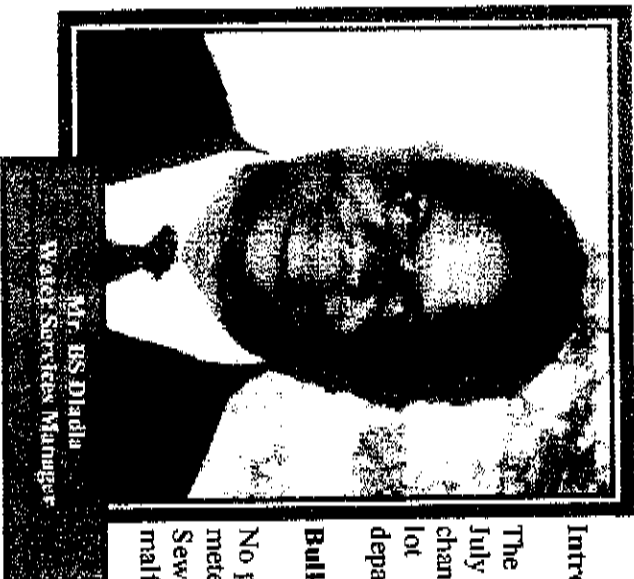
No production figures can be supplied as the meters at the majority of the Water and Sewer Purification Works are malfunctioning and therefore water audit and balances could not be done. The majority of the works require major refurbishment and maintenance but due to budget restraints this is not possible.

A grant has been received from Department of Water Affairs and Forestry for the refurbishment of the works previously owned by them. Those being Ezakheni Water Works, Ezakheni Sewer Works, Ekuvukeni Sewer Works and Wembezi Sewer Works. Planning of the refurbishment has commenced.

A number of quality samples failed, mainly as a result of a lack of maintenance and personnel problems and a lack of chlorine. On several occasions, the final effluent from the sewer disposal works did not meet the general standard for discharge.

Due to the drought conditions the water levels in a number of the water sources to the purification plants dropped to precarious levels but within the review period no source has ran dry.

Ladysmith Water Works and Ezakheni Water Works were the most problematic with pump sets breaking down continually; this required some of these to be replaced. As previously stated daily production figures for the different works cannot be supplied as they are not available due to the malfunctioning of the meters.



Mr. BS Dhlala  
Water Services Manager





### **Reticulation**

Once again numerous burst pipes and interruptions in the water supply to different areas were experienced, some due to ageing infrastructure and others due to pressure zones being interlinked. The areas mostly affected by this problem were Ladysmith and Ezakheni.

A grant was received from the Department of Water Affairs and Forestry for a pilot project to introduce Water Conservation and Water Demand Management into Ezakheni. This project started in February and hopefully will reap benefits during 2008 once it has been completed.

Umshenzi, Imbabazane, Ukhahlamba and Indaka experienced certain problems mainly due to old infrastructure and a previous lack of maintenance. A further concern in the older rural schemes is their poor workmanship which is increasing the maintenance thereof.

### **Rural Supply**

In this section reference is made to the borehole schemes and other rudimentary supply systems.

Again certain borehole schemes failed as the dry weather started to take its toll on the ground water levels and over pumping of the boreholes caused pump damage and interruptions in supply to the communities. A major cause of concern in this type of scheme is the number of illegal yard connections that are being installed by the communities. The operation of these schemes are therefore compromised, as they were never designed for yard connections.

Water tankering was required throughout the period to supply communities without water. Ongoing maintenance was carried out on water schemes with hand pumps throughout the district.

### **Customer Care**

This section forms the front line of the Department, having to answer queries, report problems and deal with the public. This was done to their best ability.

### **Challenges**

Once again the key challenge to be faced is the budgetary constraints as well as the





maintenance of the assets and replacing those that have reached the end of their life. Most purification works require refurbishment and additional storage capacity is required to sustain supply to the communities. The reticulation in most areas requires replacing and upgrading to keep pace with the increase in demands.

It is planned to roll out Water Conservation and Demand Management programs in all communities as it has been identified that most communities use more water than they should, placing a strain on resources.

Another challenge is the training of staff to meet the legislative requirements as required for the operation of the Water and Effluent Purification Works. This will soon be enforced by the Department of Water Affairs and Forestry as will the water quality requirements.



## Financial Services



Mr. JN Mendonho  
Chief Financial Officer

The Financial Services Department is a support department aimed at supporting and advising Council and its functionaries on various issues in pursuance of its vision and mission. In order to achieve the above the department aims to not only achieve but to excel and go beyond issues of compliance. It is in this belief that the department aims to create an enabling environment for an improved quality of life for all in a developed region.

It is hoped that this will be achieved through efficient, effective and cost-effective practices in the administration of the Council's resources.

It is my pleasure to present the following report which shows progress against all odds.

### Departmental Focal Areas

- Financial management
- Assets management

- Development of policies
- Strategic support

### Achievements and Challenges

The scarcity of resources compared to prevailing needs is the main challenge, e.g. reforms in financial management calls for various transformation challenges which comes at a cost with little or minimal revenue sources.

The above-mentioned reforms require a certain degree of institutional change that was evident with the Supply Chain reforms where a newly and fully equipped section had to be created.

Council needed to review most of its policies as a result of the above-mentioned



reforms. It succeeded to adopt amongst others a Credit Control and Indigent Policy and Financial Regulations encompassing issues like investment regulations and cash management regulations.

Council is faced with the challenge of compiling a valuation roll for the District Managed Area in term of the Property Rates Act, 2004 (Act No 06 of 2004). Although Council opted to implement the valuation roll as from 01 July 2008, the procurement process had to be followed to appoint service providers for this exercise. As there is no grant funding available for the implementation of the Act, Council will have to fund this from its own funds.

In order for the Municipality to prepare to be GAMAP compliant, a new set of ledger accounts have to be created on the financial system, assets had to be unbundled and the format (presentation) of the financial statements has to change. A two-year implementation plan must be prepared to ensure that the Municipality is fully compliant by 30 June 2009. The unbundling of the assets of the municipality is a huge exercise and service providers who are experienced in this field will have to be appointed. Council will have to provide for this out of own funds.

To comply with GAMAP the format (presentation) of future budgets will also change.

The annual budget mentioned above had to be adjusted to accommodate various needs. Below are the explanations and graphic illustrations of allocations.

## **BUDGET PRINCIPLES**

The following budgetary principles have been used in compilation of the budget

### **Budgeting**

Budgets have been prepared for three Medium Term Revenue Expenditure Framework.

### **Water Budget**

Water provision related costs have been ring-fenced as per National Treasury guidelines to the water function which inter-alia incorporate compliance costs e.g. customer care, emergency relief programmes and provision for repairs and replacements of some dilapidated infrastructure.

The water budget for 2006/2007 has increased from R95,687,796 to R102,295,307. Recovery for these costs is through tariffs. Equity share allocation (FBS) has increased



from R24,000,000 to R33,459,810 per annum.

The new Stores Department has improved efficiency in response time by ensuring availability of essential parts and as an additional control measure in the procurement division. This budget recognised that in the financial year in question the Customer Care section was fully operational, therefore the application of the Credit Control Policy was fully applied, ensuring an increase in revenue collection. Provision of R1,000,000 has been made for bad debt.

#### **Insurance**

Council's insurance portfolio expires on 30 June 2007 and must be renewed on 1 July 2007 for a further 3-year period ending 30 June 2010. For this purpose Council will go through a tender process to appoint a service provider.

#### **Grants**

The R293 grant has not been budgeted for since the assumption is that these grants are channelled to the relevant local municipalities who is performing the function.

#### **Contributions**

The Local Government: Municipal Finance Management Act requires that short term debts be addressed within the current financial year, however due to insufficient financial resources only a R1,350,000 provision has been made in the budget as means of offsetting the deficit over time; over and above the R3,670,000 which was contributed in 2005/2006. Total contributions amounting to R5,416,431, which included contributions of the prior year's deficit leave provision and depreciation was incorporated into the budget.

#### **Organogram**

The organogram of the Council has been consolidated as per the 2006/07 budget and as per approved organogram, such a consolidation was effected as per the approved 2006/7 budget. All water staff is ring-fenced into the water function and no proposed major changes are budgeted for in 2006/2007.

#### **Recharge**

The principle of recharging of resources support to projects has not been catered for as all operational costs for services are ring-fenced.

**Salaries and Wages Provision**

Provision for an 8% salary and wage increment has been catered for as per Bargaining Council resolution and 12% in respect of Councillor Allowances.

**Equitable Share Funding**

Provision has been made for an amount of R37,242,000, being equity share funding and comprises of the following:

✦ Equitable Share	:	R53,782,190
✦ R293 Town Staff	:	R0
✦ Free Basic Electricity	:	R0
✦ Free Basic Services	:	R33,459,810

**Allocations to Services**

The following amounts were budgeted for in respect of the different services:

✦ Employee Related Costs	:	R62,986,566
✦ General Expenses	:	R57,287,159
✦ Maintenance and Repairs	:	R9,113,325
✦ Capital Charges	:	R7,630,589
✦ Contributions	:	R5,416,431
✦ Water Services	:	R102,295,307
✦ Capital Projects	:	R119,796,477

**INCOME AND EXPENDITURE**

**Income: Levies**

Levies have been abolished since 01 July 2006, however Council is still in the process of collecting levies which were due and payable up to 30 June 2006.

**Income: Grants**

Included in the budget are grants totalling R194,214,947.



The grants are made up as follows:

Equitable Share	R87,242,000
MIG – Agency Fee	R2,107,494
MIG – Capital	R63,318,506
MISIG	R1,000,000
Local Government FMG	R500,000
C/O Projects	R28,094,947
KZN DLGTA	R2,640,000
GIS Support	R190,000
Fac. Water Supply	R750,000
Assessment Service Delivery	R3,835,000
Services Centres	R3,500,000
IDP Support	R50,000
PMS Grant	R50,000
Regional Levy	R937,000

**Expenditure: Salaries, Wages and Allowances**

The total salary budget of R62,986,566 allows for an 8% increase for staff and a 12% increase for Councilor allowances.

**Expenditure: General Expenses**

An average adjustment based on the “zero-based” concept has been made with regard to general expenses. An amount of R33,459,810 has been allocated to the Water Department as part of the uThukela District Municipality’s contribution to subsidize the water tariffs and operational costs. The total budget for general expenses amounts to R57,287,159.

**Expenditure: Maintenance and Repairs**

An average adjustment based on the “zero-based” concept has been made with regard to maintenance and repairs, the budget amounts to R9,113,325.

**Expenditure: Capital Projects**

An amount of R119,796,477 has been committed to capital projects.





**WATER SERVICES**

The operational costs of the authority function is being ring fenced for the Water Services Department, the total budget for the function amounts to R102,295,307.

**Income**

A total amount of R262,534,947 was budgeted for as income and is allocated as follows:

✦	Tariff Income	:	R67,840,000
✦	Tariff Subs	:	R33,459,000
✦	Equity Share Additional	:	R53,782,190
✦	MIG Agency Fee	:	R2,107,494
✦	MSIG	:	R1,000,000
✦	Other Income	:	R480,000
✦	Capital Projects	:	R103,866,263

**Tariffs**

No tariff increase for 2006/2007 for both water and levies is envisaged.

**CAPITAL REQUIREMENTS EX-CAPITAL DEVELOPMENT FUND**

It is envisaged that capital requirements will be financed through external means. Except the provisions made for maintenance of pipes and some infrastructural rehabilitation budgeted for in the water Department.

**OTHER ISSUES**

An amount of R200,000 has been budgeted for to enable the municipality to be GAMAP compliant and R750,000 to upgrade and implement the IT System.

When the South African President announced the importance of community participation in governmental issues, an allocation of R600,000 was made available to heed this call.



# ANNUAL FINANCIAL STATEMENT



LINCOLN DISTRICT MUNICIPALITY

## INDEX

1) GENERAL INFORMATION	1 - 1
2) FOREWORD	2 - 2
3) AUDITOR'S REPORT	3 - 7
4) EXECUTIVE DIRECTOR FINANCES REPORT	8 - 10
5) ACCOUNTING POLICIES	11 - 13
6) BALANCE SHEET	14 - 14
7) INCOME STATEMENT	15 - 15
8) CASH FLOW STATEMENT	16 - 16
9) NOTES TO THE FINANCIAL STATEMENTS	17 - 28
10) APPENDICES	
a) Accumulated Funds, Trust Funds, Reserves and Provisions	29 - 29
b) External Loans and Internal Advances	30 - 30
c) Analysis of Fixed Assets	31 - 31
d) Analysis of Operating Income and Expenditure	32 - 32
e) Detailed Income Statement	33 - 33
f) Statistical Information	34 - 34





**MEMBERS OF THE EXECUTIVE COMMITTEE**

- MAYOR :** S.M. Sithole  
**Deputy Mayor:** S.A. Myelase  
**Speaker:** N.M. Hadebe  
**Exco Councillor :** C.J.S. Nunes  
M.D. Mazubuko  
B.A. Mnculwane  
**Councillor :**  
S. Banda  
S.N. Mchunu  
B.C. Buthelezi  
D.S. Mhangathi  
R.M. Mlaba  
T.Y. Ngubuka  
S.T. Ntshahlinshah  
F.A. Khan  
M.N. Mlotshwa  
J.M.H. Wood  
M.G. Hlubi  
Z.J. Dladwa  
P.J. Hunter  
N.B. Hongwane  
C.B. Mabilela  
T.A. Sigubudu  
M.C. Mchunu  
T.P. Mazibuko  
E.N. Lushaba  
T.M. Cele  
V.M. Zimba  
S.P. Hadebe  
B.H. Sithole

**GRADING OF THE LOCAL AUTHORITY**

**Grade** 4

**AUDITORS**

*Auditor - General: Pietermaritzburg*

**BANKERS**

ABSA Bank - Newcaste

**REGISTERED OFFICE**

76 Murchison Street  
Ladysmith  
3370

PO Box 116  
Ladysmith  
3370

Telephone: (036) 6385100  
Fax :Number (0360) 6375606  
email: midesha@umkela.co.za

The annual financial statements set out on pages 8 to 34 were approved by the Municipal Manager on 31 August 2007 and will be presented to the Council for approval on the 18th of September 2007.

**MUNICIPAL MANAGER**

Mr. S S B Nkehl

**CHIEF FINANCIAL OFFICER**

Mr. J N Madondo



The financial year end 2007 has been depicted by various challenges which this Municipality had to overcome. For instance the allocation of powers and functions led to the transfer of water function to the District. This posed a challenge of issues like ageing infrastructure (which was coupled with the pipe burst with no or very meagre resources to cope with), staff morale, loans inherited from local, high levels of indigents due to high levels of unemployment etc. The manner in which these challenges have been tackled has proven that the leadership and management can face up to the challenge under difficult conditions and emerge as victors. This gives a clear message to the world that Uthukela District Municipality can and will be able to achieve what it has set itself to achieve.

Our council is very determined to meet its priority objectives which are set in the I.D.P, however issues which are beyond the control of the Municipality are now starting to surface. These issues will potentially hinder our efforts to achieve our goals. For instance, due to the impact of the global warming, our dams, underground water and rivers are drying up. This is evident with the drying up of the Olifantskop Dam which supplies the greater communities in iNdaka Local Municipality.

I wish that the presented financial statement can not only be viewed in terms of rands and cents but also in terms of the value add, which this council has done in order to better the lives of our people which is the reason for our existence.

Lastly, I would like to thank the kind of dedication, courage and commitment espoused by our officials and councillors in pursuance of the council's day to day activities. It is evident that it has been a winning combination which I will like to encourage even beyond this financial year. This is also the outcome of the manner our councillors conduct themselves in decision making and during the proceedings of my Council which is beyond differing political party beliefs. I would also like to express our gratitude to our local councils for the kind of support and cooperation they have shown to

It is our plea that this cooperation between the officials and councillors and between the district and the local municipalities be sustained not for its own sake but for the betterment of our communities as a whole.

**HIS WORSHIP THE MAYOR COUNCILLOR S M SITHOLE  
UTHUKELA DISTRICT MUNICIPALITY**







**4) INTRODUCTION**

The vision of Uthukela District Municipality is the improved quality of life for all in a globally entercomraded, stable and developed region. To pursue this end, all stakeholders in the region should understand that the broader perspective has been adopted, this requires a greater participation and involvement of stakeholders via, the Municipality, civil society and business community. It therefore call for all of us to come with new ways of doing business e.g. the recognition and the strengthening of the Private Public Partnerships etc.

The current years financial are the indication of the dedication and commitment by the Municipality to address its financial position in order to be better positioned for the delivery of services, which will facilitate opportunities for economic growth consequently the stable and a developed region.

The Municipality has undergone various adaptation challenges which were posed by a number of changes in the environment within which it operated, and it has risen above difficult times. I believe it is stable, this renders an opportunity for improvements, exploration of new opportunities and progress even further, this will take dedication and resources, the execution of these developments are envisaged to take place in 2007/8 financial year.

Lastly the Municipality hopes to finalise the GRAP/GAMAP conversion in 2007/8 and to implement the property rates act in the beginning of 2008/9 financial year.

**4.1) GOING CONCERN**

In pursuit of the above, Council has met extreme financial challenges which in many instances is aggravated by external factors e.g. the changes in powers and functions. However a multi-faceted strategy is being implemented to face up to challenge e.g. Municipal Assistance Programme (MAP) from Provincial Government etc. These initiatives have helped the municipality in taking its rightful seat in service delivery.

Resource Support Services realised an actual surplus of R 5 380 070 whilst District Water and Sanitation services resulted in a deficit of (R 8 225 167) the contributing factors therein are explained below

The operating deficit of (R 885 087) and appropriations of R 12 885 870 have resulted in a net surplus of R 11 720 573 which decreased the accumulated deficit of (R 36 136 857) at 30 June 2006 to (R 24 416 284) at 30 June 2007.

**2) OPERATING RESULTS**

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2007 are as follows:

INCOME	Actual 2006/06 R	Actual 2006/2007 R	Variance Actual/ Budget %	Budget 2006/2007 R
Opening Surplus	0	0		
Operating Income for the Year	221 403,866	244 632,294	-6.8%	262 534,947
Sundry Transfers	24 347,544	42 585,670		
	<b>245 751 410</b>	<b>287 217 964</b>		<b>262 534 947</b>
EXPENDITURE				
Opening Deficit	77 839,961	36 136,857		
Operating Expenditure	224 796,566	246 497,391	6.5%	262 534,947
Closing Deficit	(56 855,129)	(24 416,284)		
	<b>245 751 388</b>	<b>267 217 964</b>		<b>262 534 947</b>

A) The increase in income is mainly due to the Equity share allocation which increased from R 56 973 000 in the 2006/2006 financial year to R 87 242 000 in the 2006/2007 financial year as well as income generated from penalty interest raised on arrears debtors accounts which amounted to R 4 951 627 in the 2006/2007 financial year.

B) The increase in expenditure is as a result of Salaries and Allowances which increased from R 55 709 625 in the 2006/2006 financial year to R 61 409 885 in the 2006/2007 financial year and general expenses which increased from R 44 408 289 in the 2006/2006 financial year to R 55 392 407 in the 2006/2007 financial year



2.1) RESOURCE SUPPORT SERVICES				
	Actual 2006/2006 R	Actual 2006/2007 R	Variance Actual Budget %	Budget 2006/2007 R
Income	142,983,172	149,615,865	7.2%	161,236,137
Expenditure	137,606,436	144,255,795	10.0%	180,239,840
Deficit/ Surplus	5,376,736	5,360,070		996,497
Surplus (Deficit) as % of Total Income	3.76%	3.59%		1.22%

#### 2.4) TRADING SERVICES : WATER AND SANITATION

	Actual 2006/2006 R	Actual 2006/2007 R	Variance Actual Budget %	Budget 2006/2007 R
Income	78,420,694	86,016,429	6.2%	101,299,810
Expenditure	87,180,130	101,241,596	1.0%	102,296,307
Deficit	(8,759,436)	(6,225,167)		(996,497)
Surplus (Deficit) as % of Total Income	-11.14%	-6.99%		-1.28%

#### 3) CAPITAL EXPENDITURE AND FINANCING

CAPITAL EXPENDITURE	Actual 2006/2007	Budget 2006/2007
Resource Support Services	322,041	294,400
Regional Water services	74,087,240	10,000
	74,409,281	304,400
FINANCING OF THE FIXED ASSETS		
Internal loan Capital Development Fund		
Contributions from Current Income		
Grants and Subsidies	349,052	304,400
Current Income ( Okhshimbha KZNPA)	72,571,917	-
External Loans (Leases)	1,487,312	-
	74,409,281	304,400

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

#### 4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2007 amounted to R 28 662 690 as set out in appendix "E" Loans totalling R 3 915 989 were repaid during the year.

Investments amounted to R 9 810 036 on 30 June 2007. The investments are disclosed at Actual Surrender Value for the Metropolitan Investments and at market value for others.

The Bank Overdraft on 30 June 2007 amounted to R 2 854 423

More information regarding loans and investments is disclosed in notes 5, 8 and 9 and appendix B to the financial statements.

**5) POST BALANCE EVENTS**

The Oliphantskop dam that supplies the Ekvuvukwen area has run dry. The Lufufane farmers irrigation board has agreed to assist by releasing water from a dam higher up in the river, managed by them as a temporary measure. The municipality has considered imposing water restrictions should the conditions worsen. This will result in the loss of revenue in the sale of water for the 2007/2008 year.

**6) FUNDS AND RESERVES**

The Consolidated Capital Development Fund has increased by R 544 412 to R 16 115 769. Advances amounting to R 227 487 have been granted to borrowing services while R 578 743 has been repaid and/or written-off.

More information regarding funds and reserves is disclosed in notes 1, 2, 3 and appendix A to the financial statements.

**7) OTHER MATTERS**

The major contribution for the decrease in investments is as a result of an amount of R6 268 717 being investment assets that matured in March 2007 which were paid into a Trust bank account unknown to the Municipality.

The Municipality has engaged the SCORPIONS to investigate the matter. More information regarding investments are disclosed in note 8 of the financial statements.

**EXPRESSION OF APPRECIATION**

I am grateful to the Mayor, Councilors, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Treasury Department for their support and loyalty.

**CHIEF FINANCIAL OFFICER**



## 1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1987) and Report on the Standardisation of the Financial Statements of Local Authorities ( 5th Edition, as amended).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Fixed Assets as more fully detailed in note 3 below. The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :  
1.3.1 Income is accrued when collectable and measurable.  
1.3.2 Expenditure is accrued in the year it is incurred.

## 2) CONSOLIDATION

The Balance Sheet includes the Resource Support Services, District Water and Sanitation Services and the different Funds, Reserves and Provisions. Water and sanitation are treated as income and expenditure in the respective departments.

## 3) FIXED ASSETS

- 3.1 *Fixed assets are stated :*  
- at historical cost, or  
- at valuation (based on market price at date of acquisition).  
Where assets have been acquired by Grant or Donation these assets were capitalised at the values supplied by the Local Municipalities and to the value of the balance of external loans. Where no values were available, assets were capitalised at a nominal R1-00 value.
- 3.2 *Depreciation*  
The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for Depreciation. Apart from advances from the various council funds, assets may also be acquired through :  
- appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation  
- grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets and insurance claims are credited to the Capital Development Fund.
- 3.4 Fixed Assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimating lives of the assets acquired from such loans and advances. Interest on internal loans is charged at a 10% interest rate in the financial year following the purchase and is charged to the service concerned.

## 4) STOCK

Stock are measured at the lower of cost or net realisable value.

## **6) FUNDS AND RESERVES**

### **5.1 Capital Development Fund**

No contributions have been made to the fund.  
This was done in anticipation of conversion to Grap / Garmap compliance.  
Application has been made to the MEC for exemption.

### **5.2 RESERVES**

Reserve are utilised for the specific purposes and contributions are made from the operating account.

Maintenance provision: Contributions are based on current year budgets as deemed necessary unless specifically deemed otherwise.

Bad debt provision: a provision for bad debt has been made to provide for envisaged irrecoverable consumers debtors, sundry debtors and levy debtors.

## **6) CREDITORS**

Trust funds represents the balance of amounts received less expended for deceased employees and councillors.

Leave provision: Leave and pro-rata leave due to all employees is calculated as at the end of the financial year. The value thereof is based at current salary scales as at the end of the financial year.

## **7) SURPLUSES AND DEFICITS**

Any surpluses or deficits arising from the operation of each service is transferred to the appropriation account.

## **8) LEASED ASSETS**

Fixed assets under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of the lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

## **9) INVESTMENTS**

Investments are shown at original and are invested in accordance with chapter 3, Municipal Revenue, part 2 section 13 of the Municipal Finance Management Act 56 of 2003, except for Metropolitan Life Investment Policies which are shown at Actial Surrender Values. Investments are done in accordance with the Financial Regulations as approved.

## **10) INCOME RECOGNITION**

**10.1 Water and Sanitation Billing**  
Meters are read and billed monthly and income from water and sanitation sales is recognised on the date for such billing.

**10.2 Levy Assessments**  
Although levy assessments has been abolished as from 1 July 2006 Council is still in the process of collecting outstanding assessment prior to the above mentioned date.

#### 11) RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councilors. 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 pay-as-you-go basis, are actuarially valued annually on the projected unit credit method basis. Deficits identified are recognized as a liability and are recorded through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

The following contributions are made by the municipality:

- The Natal Joint Municipal Pension Fund (Super Fund) 18% plus 6% surcharge = 24%
- The Natal Joint Municipal Pension Fund (Retirement Fund) 13.65% plus 12.35% surcharge = 26%
- The Natal Joint Municipal Pension Fund (Provident Fund) 8.75%
- The Natal Joint Municipal Pension Fund (Provident Fund) 13.65%
- The Natal Joint Municipal Pension Fund (Provident Fund) 18.00%
- Councilors and section 57 employees make the full contribution to the pension fund.

#### 12) TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).


  
**STATE OF TENNESSEE**
  
**DEPARTMENT OF REVENUE**

	2008/2007	2007/2006
	R	R
<b>CAPITAL EMPLOYED</b>		
<b>FUNDS AND RESERVES</b>		
Statutory Funds	16,969,853	16,373,329
Reserves	15,115,789	15,571,357
Non-distributable Reserve	844,894	801,871
<b>ACCUMULATED DEFICIT</b>	(24,416,264)	(26,136,957)
	(7,455,811)	(19,763,528)
<b>LONG-TERM LIABILITIES</b>	26,246,302	27,517,765
	17,893,872	7,754,238
<b>EMPLOYMENT OF CAPITAL</b>		
<b>FIXED ASSETS</b>		
INVESTMENTS	29,087,281	32,048,700
LONG-TERM DEBTORS	9,870,035	14,321,230
	1,878,911	1,898,953
	49,836,227	48,268,883
	(22,637,666)	(40,504,645)
<b>NET CURRENT LIABILITIES</b>		
<b>CURRENT ASSETS</b>		
Inventory	70,548,037	47,982,380
Debtors	5,409,989	3,437,038
Val	63,746,886	42,870,680
Cash and cash equivalents	1,263,469	1,361,403
Short term portion of long term debtors	129,883	177,191
	88,487,035	146,101
<b>CURRENT LIABILITIES</b>	93,427,894	88,487,035
Val	1,108,400	47,212,946
Creditors	56,140,306	42,870,680
Deposits	1,112,196	927,266
Unspent Grant Creditor	28,598,911	30,258,282
Short term portion of Long term Liabilities	3,313,358	2,822,069
Bank Overdraft	2,854,423	7,275,433
	77,803,871	7,754,238



2005/2006 Actual Income <i>R</i>	2005/2006 Actual Expenditure <i>R</i>	2005/2006 Actual Surplus/ (Deficit) <i>R</i>		2006/2007 Actual Income <i>R</i>	2006/2007 Actual Expenditure <i>R</i>	2006/2007 Actual Surplus/ (Deficit) <i>R</i>	2006/2007 Budgeted Surplus/ (Deficit) <i>R</i>
221,403,856	224,766,566	(3,362,711)	<i>District Service</i>	244,832,294	245,497,391	(865,097)	-
142,883,172	137,808,436	5,074,736	<i>Resources Support Services</i>	148,846,985	144,256,795	5,380,070	926,497
78,420,684	87,160,130	(8,739,446)	<i>District Water and Sanitation</i>	85,016,429	101,241,896	(16,225,167)	(865,497)
<b>221,403,856</b>	<b>224,766,566</b>	<b>(3,362,711)</b>	<b>TOTAL</b>	<b>244,832,294</b>	<b>245,497,391</b>	<b>(865,097)</b>	-
		45,085,815	Appropriation for this Year (Refer working papers)			(2,585,870)	
		41,703,104	Net surplus/ (deficit) for the Year			11,720,878	
		(77,830,961)	Accumulated (Deficit)/Surplus beginning of the year			(38,136,867)	
		<b>(36,136,857)</b>	<b>ACCUMULATED DEFICIT AT END OF THE YEAR</b>			<b>(24,416,334)</b>	



**STATEMENT OF OPERATIONS**

	2007	2006
	R	R
<b>CASH GENERATED IN OPERATING ACTIVITIES</b>	<b>70,787,110</b>	<b>297,016,592</b>
Cash (utilised)/ generated in operations	(184,108,969)	(157,433,574)
Investment Income	4,097,627	1,786,427
(Increase)/ Decrease in working capital	(14,277,498)	(18,563,587)
<u>Less: External Interest Paid</u>	<u>(3,502,963)</u>	<u>(3,445,308)</u>
<b>Cash (utilised)/ generated in operations</b>	<b>(197,791,703)</b>	<b>(177,655,842)</b>
Operating grants received	195,006,984	149,952,619
Cash contributions from the public and the state	72,571,516	325,961,815
Net proceeds on disposal of fixed assets		
<b>CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(74,123,831)</b>	<b>(286,408,447)</b>
Increase/ Decrease in Long Term Debtors	286,458	(917,746)
Investments in Fixed assets	(74,409,291)	(286,390,787)
<b>NET CASH INFLOW</b>	<b>2,663,279</b>	<b>10,610,145</b>
<b>Cash effects of financing activities</b>		
Decrease/ Increase in long-term borrowings	(1,677,194)	(3,241,016)
(Increase)/Decrease in cash investments	4,511,195	(4,887,441)
Decrease/ (Increase) in cash and cash equivalents	(5,497,280)	(17,528,882)
<b>Net Cash (utilised)/ Generated</b>	<b>(2,663,279)</b>	<b>10,610,145</b>

25  
26  
15



UTRARELA DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
<b>1 STATUTORY FUNDS</b>		
Capital Development Fund	96,145,780	16,571,567
(Refer to Appendix A for more detail)	16,145,780	96,079,377
<b>2 RESERVES</b>		
Maintenance Fund	84,624	894,071
(Refer to Appendix A for more detail)	84,624	894,071
<b>3 NON-DISTRIBUTABLE RESERVE</b>		
Water and Sanitation taken on balance	0	0
This represents the net-effect of the active Water and Sanitation taken on balance from the local Municipality. The balance balances had being written back to accumulated surplus.		
<b>4 ACCUMULATED SURPLUS</b>		
Appropriation account:		
Accumulated Surplus (at the beginning of the year)	(24,126,657)	(77,889,181)
Operating Surplus (O/S) for the year	(995,007)	(3,282,717)
Appropriations for the year	12,885,070	46,095,815
Transferred to deficit	800,000	3,284,555
Transferred Non-Distribution Reserve	11,785,070	20,771,827
Prior year adjustment		20,543,189
	<b>(24,126,657)</b>	<b>(24,527,527)</b>
Operating account		
Capital Expenditure	322,863	798,151
Contributions to:		
Maintenance Reserve	332,670	3,326,863
Capital Development Fund	1,280,000	790,181
Loan Grants	1,280,000	3,870,000
Bad Debts	1,280,000	7,782,248
	<b>(24,126,657)</b>	<b>(24,527,527)</b>
<b>5 LONG-TERM LIABILITIES</b>		
Arreary Loans : DBSA	27,314,578	20,722,288
Loans commitments	1,348,084	813,898
Sub-total	28,662,662	20,536,186
Loans : Current portion transferred to current liabilities	3,219,326	2,422,069
Arreary Loans : DBSA	2,718,810	2,487,770
Loans commitments	500,516	334,300
Total External Loans	<b>28,343,336</b>	<b>27,957,796</b>

Refer to Appendix B for more detail on long-term liabilities.

Arreary Loans : DBSA  
Loans bear an interest rate between 0% and 13.25% per annum and are repayable over periods between five and twenty years. The arreary loans comprise less of 9 loans approved by the Development Bank of South Africa namely R 10 522 000 @ 10% and R 310 000.

Loans commitments  
Loans consist of 19 various vehicle leases. Interest is coupled to the prime lending rate. One lease is for a vehicle transferred to another local municipality.

6 67

6 CONSUMER DEPOSITS		627,285	
YTD end service	1,114,164		
Total Consumer Deposits	<u>1,114,164</u>	<u>627,285</u>	
7 FIRED ASSETS		341,818,442	
Fired assets at the beginning of the year	618,438,894		
Capital Expenditure during the year	74,644,291		208,890,317
Less: Assets written off, transferred or disposed of during the year	(1,823,729)		(1,075,091)
Total Fired Assets	<u>687,158,936</u>	<u>618,964,917</u>	
Less: Lane, Redmond and Other Capital Receipts	862,087,746		1,891,596,242
Net Fired Assets	<u>29,069,129</u>	<u>32,444,702</u>	
<i>(70% to American C and Ontario 3 of the Employee Benefit Plan's Report for new assets or their assets)</i>			
8 INVESTMENTS		649,258	
Financial Instruments		13,407,191	
Fund Deposits	686,218		
Metropolitan Life investment policies	9,314,817		14,291,220
	<u>8,618,638</u>	<u>14,291,220</u>	
Management Valuations of Investments	4,310,026		<u>14,291,220</u>
Average Rate of Return on Investments	0.44%		12.8%
Funds are invested according to section 13 of the Municipal Finance Management Act 56 of 2003			
The Metropolitan Life investment Policies amounting to R8 062 831 are held by ABSA Bank as security for Bank Overdraft Facility			
9 LONG-TERM RECEIVABLES		1,078,339	
Deposits	1,104,519		654,716
Car loans	596,095		2,025,055
	<u>1,740,614</u>	<u>146,102</u>	
Less: Current portion transferred to current receivables	129,893		
Deposits	130,869		<u>146,102</u>
Car loans	1,208,845		<u>1,208,845</u>
Total	<u>1,418,914</u>	<u>1,354,947</u>	
10 DEPOSITS		13,034	
Deposit held with Ekim and Emmehobh (Judgment Municipality for electricity; Fuel deposit held at various petrol stations)			
11 CAR LOANS		1,147,298	
Car loan still being written off car loans which ultra ultra interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010. These loans are no longer available to municipal officials.			
Consumable stores - at cost	13,134		271,624
Maintenance materials - Stock taken over from Local Municipality at market value as at 30 June 2006 and stock purchased during the financial year at cost.	5,084,098		<u>1,147,298</u>
Capital of Puffadder Pools at cost	318,278		2,357,658
Total Inventory	<u>5,445,510</u>	<u>2,629,382</u>	



11 DEBITORS			
Unrecorded Stock At Year end	286,011	0	0
Metropolitan Life Investments	5,258,717	0	8,151,178
Sundry Debtors	8,108,418	240,298	240,298
Advances	533,000	72,544	72,544
Metropolitan Life - Interest	38,318	10,020,895	10,020,895
Consumers & Others	41,761,748	78,241	78,241
Amount paid in advance	625,528		
	<u>107,031,835</u>	<u>78,541,892</u>	<u>78,541,892</u>
Less: Provision for doubtful debts	<u>(44,294,045)</u>	<u>(24,878,232)</u>	<u>(24,878,232)</u>
	<u>62,737,790</u>	<u>53,663,660</u>	<u>53,663,660</u>

12 CREDITORS			
Trade creditors	14,209,875	10,788,608	10,788,608
Trust Funds	7,572,815	860,824	860,824
Shareholders	5,705,781	3,318,842	3,318,842
S&P Home	8,484,241	5,730,248	5,730,248
Sundry Creditors	1,081,217	5,438,031	5,438,031
	7,240	8,800	8,800
- Enlargement/Lease EX/Unfilled	380,048	882,148	882,148
- Undisbursed receipts at Year End	104,877	107,198	107,198
- Payments made from loans to water	141,924	62,746	62,746
- Undisbursed Salaries /Wages	24,328,241	14,742,248	14,742,248
- Outstanding cheques at Year End	1,877,895	5,095,241	5,095,241
Other creditors	<u>64,448,344</u>	<u>42,282,248</u>	<u>42,282,248</u>

13 UNRECORDED CONDITIONAL GRANTS AND RECEIPTS			
HIG Grants	868,314		
DWAIF	44,562,232	20,348,514	20,348,514
KZN Projects	11,088,718	8,787,822	8,787,822
Sport and Recreation	718,447	1,124,138	1,124,138
Disaster Management	1,200,000		
	<u>28,438,111</u>	<u>28,388,482</u>	<u>28,388,482</u>

14 VAT			
VAT payable on the receipts base. Only once payment is received from debtors is VAT paid over to SARS.	(1,196,426)		1,201,425

15 BANK, CASH AND OVERDRAFT BALANCES			
The Municipality has the following bank accounts:-			

<b>Current Account (Chequers Bank Account)</b>			
ABSA Bank - Turgenev; Account Number 40488100056			
Cash book balance at beginning of year - overdrawn	(4,177,829)	(18,282,251)	(18,282,251)
Cash book balance at end of year - overdrawn	<u>(2,844,427)</u>	<u>(4,177,789)</u>	<u>(4,177,789)</u>
<b>Bank statement balance at beginning of year - (overdrawn)</b>	(4,744,169)	(2,944,812)	(2,944,812)
Bank statement balance at end of year - (overdrawn)	<u>(1,902,048)</u>	<u>(2,744,194)</u>	<u>(2,744,194)</u>
<b>Current Account (Water Account)</b>			
ABSA Bank - Langwaa; Account Number 4082520058			
Cash book balance at beginning of year - overdrawn	(1,687,897)	(1,084)	(1,084)
Cash book balance at end of year - (overdrawn)	<u>(246,159)</u>	<u>(1,482,284)</u>	<u>(1,482,284)</u>
Bank statement balance at beginning of year - (overdrawn)	1,810,201	(1,084)	(1,084)
Bank statement balance at end of year	<u>88,822</u>	<u>1,444,241</u>	<u>1,444,241</u>





Current Account Freezer Fund)	
ABSA Bank - Linyemba Account Number 4022820075	
Cash book balance at beginning of year	0
Cash book balance at end of year	38,258
Bank statement balance at beginning of year	0
Bank statement balance at end of year	38,258
<b>General Account (Current Accounts)</b>	
ABSA Bank - Linyemba Account Number 4022820112	
Cash book balance at beginning of year	180,481
Cash book balance at end of year	0
Bank statement balance at beginning of year	180,018
Bank statement balance at end of year	0
Cash Points	7,290
<b>TOTAL OVERDRAFT BALANCE</b>	<b>(1,660,853)</b>
<b>16 REVENUE CHANGES</b>	
Sale of water	40,483,532
Swearing and sanitation charges	11,934,488
Total Service Charges	52,378,020
<b>17 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED</b>	
Equitable share	87,244,293
M/G Grant	70,845,518
Dward	8,128,800
MDM Projects	8,709,557
Sport and Recreation	900,000
Grassroots Managers and	1,300,000
Free basic services grant	800,000
Total Government Grant and Subsidies	178,437,968
<b>18 OTHER INCOME</b>	
Other Income	7,287,318
Total Other Income	7,287,318
<b>19 EMPLOYEE RELATED COSTS</b>	
Employee related costs - Salaries and Wages	38,238,848
Employee related costs - Contributions for UIF, pension and medical aid	8,098,384
Travel, motor car, accommodation, subsistence and other allowances	3,628,217
Housing benefits and allowances	4,134,175
Overseas payments	4,484,040
Bonuses	2,570,272
Long-service awards	91,473
Total Employee Related Costs	63,979,298

38,258	343,292
0	180,481
38,258	380,281
0	482,418
7,290	7,290
<b>(1,660,853)</b>	<b>(1,708,232)</b>
40,483,532	38,778,248
11,934,488	11,878,275
52,378,020	50,656,523
87,244,293	55,873,208
70,845,518	65,287,205
8,128,800	5,973,000
8,709,557	17,648,241
900,000	1,300,000
1,300,000	1,401,025
800,000	1,448,218
7,287,318	7,287,318
38,238,848	34,028,440
8,098,384	5,885,895
3,628,217	2,800,546
4,134,175	52,253
4,484,040	4,704,657
2,570,272	524,888
91,473	31,382
63,979,298	48,474,128



**Remuneration of the Municipal Manager**  
 Annual Remuneration  
 Performance Bonuses  
 Car Allowance  
 Contributions to UF, Medical and Pension Funds  
 Total

Annual Remuneration	942,232	613,256
Performance Bonuses	125,502	125,248
Car Allowance	189,847	181,448
Contributions to UF, Medical and Pension Funds	36,319	33,562
Total	1,393,899	1,053,514

**18 EMPLOYEE RELATED COSTS (continued)**

**Remuneration of the Chief Finance Officer**

Annual Remuneration	544,128	486,226
Performance Bonuses	91,487	91,487
Car Allowance	82,832	118,218
Total	718,447	695,931

**Remuneration of Individual Executive Directors**

	Technical Services	Corporate Services	Community Services	Finance Services	Water Services
30 June 2007	418,024	143,913	486,220	426,219	444,207
Annual Remuneration	86,462	40,000	62,793	70,361	86,400
Car Allowance	182,244	14,031	-	162,181	143,789
Medical and pension funds	14,031	-	-	18,965	-
Total	684,761	167,044	549,013	668,721	674,396
Total	852,874	318,613	429,426	518,819	872,296

**20 June 2008**  
 Annual Remuneration  
 Performance Bonuses  
 Car Allowance  
 Medical and pension funds  
 Total

Annual Remuneration	306,468	706,031	308,713	320,268	421,675
Performance Bonuses	86,462	52,750	80,000	70,361	80,000
Car Allowance	174,064	102,482	52,750	129,000	143,789
Medical and pension funds	-	-	-	-	18,965
Total	566,994	861,263	443,463	629,629	664,429

**25 REMUNERATION OF COUNCILLORS**

Mayor  
 Deputy Mayor  
 Speaker  
 Executive Committee Members  
 TIC Attendance Fees  
 Councils  
 Total Councils' Remuneration

Mayor	348,531	327,957
Deputy Mayor	306,117	309,266
Speaker	374,448	347,021
Executive Committee Members	481,548	425,196
TIC Attendance Fees	900	0
Councils	1,408,177	1,087,230
Total Councils' Remuneration	2,922,222	2,497,260

**In-kind Benefits**

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are eligible. Each is provided with an office and secretarial support at the cost of the Council.  
 The Mayor has use of a Council owned vehicle for official duties.  
 The Mayor has 24 hours bodyguards.

**21 GLEEK PURCHASES**

Value	961,887	1,814,209
Total Bill Purchases	964,887	1,814,209

**FINANCE TRANSACTION**  
 Total federal interest earned or paid:

Interest earned	1,087,272	1,794,227
Interest paid	2,502,985	3,485,208

**23 CASH GENERATED/UTILISED BY OPERATIONS**

Surplus/(Deficit) for the year  
 Adjustments in respect of :  
 Previous year's operating transactions

Appropriations charged against income :  
 - Capital development Fund  
 - Reserves  
 - Provisions  
 - Capital Outlay

**Capital Charges**

\* Interest paid  
 - To external funds  
 - On external loans  
 \* Redemption  
 - Of internal advances  
 - Of external loans

Loss on disposal of fixed assets  
 Investment income charged to operating account

**Non operating income**

- Credited to fund providers and reserves  
 - From grants

**Non operating expenditure**

- Expenditure charged against Statutory Funds  
 - Expenditure charged against Credit Reserves  
 - Expenditure charged against Trust Funds

**Amount To Cashflow Statement**

**24 CASH UTILISED TO INCREASE/DECREASE WORKING CAPITAL**

(Increase)/Decrease in Stores  
 (Increase) in Debtors  
 (Increase)/(Decrease) in creditors

**Amount To Cashflow Statement**

**25 (DECREASE)/INCREASE IN LONG TERM BORROWINGS**

- Loans raised  
 - Loans repaid

**Amount To Cashflow Statement**

**26 (INC REBAL)/DECREASE IN CASH INVESTMENTS**

- Investments realised  
 - Investments made

**Amount To Cashflow Statement**

**27 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**27.1 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure  
 Opening balance  
 Fruitless and wasteful expenditure current year  
 Conditioned or written off by Council  
 To be recovered - contingent asset  
 Fruitless and wasteful expenditure involving condemnation

Estom accounts are paid in bulk on a monthly basis via EFT. The investors have different due dates therefore penalty interest is raised. Management is currently negotiating with Estom to have same due date for all invoices.

(185,087)	(2,262,211)
12,585,870	24,347,844
1,620,052	8,543,345
-	3,325,583
1,350,000	4,429,851
340,052	790,131
9,333,275	8,074,964
3,108,544	3,553,025
355,578	198,518
3,002,965	3,445,208
4,494,734	4,505,539
578,743	485,582
3,915,988	4,091,038
(185,882)	(1,049,807)
(185,086,984)	(183,889,258)
(185,086,984)	94,147,142
-	(204,007,387)
-	18,554
-	(88,534)
(154,109,983)	(187,412,314)
(1,912,983)	(3,112,982)
(20,864,823)	(18,878,657)
8,582,300	5,418,652
(14,277,483)	(11,565,587)
2,238,784	623,525
(3,815,888)	(4,694,596)
(1,577,104)	(3,247,975)
5,347,077	17,048,427
(835,882)	(21,135,889)
4,511,195	14,087,441
20,548,00	





**28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**28.1 LIABILITIES**

Opening balance	795,962	610,090
Current year audit fee	650,000	795,962
Amount paid - current year	-	-
Amount paid - previous years	(795,962)	(610,090)
Balance unpaid (included in creditors)	<u>650,000</u>	<u>795,962</u>

The balance unpaid represents the audit fee for the 2006/2007 annual audit.

**28.2 VAT**

VAT inputs receivables and VAT output receivables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.

**28.3 PAYE AND UIF**

Opening balance	413,600	491,156
Current year payroll deductions	7,645,839	7,374,944
Amount paid - current year	(7,140,365)	(6,981,014)
Amount paid - previous years	(413,600)	(481,156)
Balance unpaid (included in creditors)	<u>695,464</u>	<u>413,900</u>

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

**28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

**28.4 Pension and Medical Aid Deductions**

Opening balance	703,906	610,713
Current year payroll deductions and Council Contributions	8,453,379	7,729,526
Amount paid - current year	(7,827,299)	(7,026,400)
Amount paid - previous years	(420,626)	(610,713)
Balance unpaid (included in creditors)	<u>826,350</u>	<u>703,906</u>

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

**28 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:  
Approved but not contracted for

28,598,011	30,443,234
<u>28,598,011</u>	<u>30,443,234</u>

This expenditure will be financed from:

- External Sources	28,598,011	30,443,234
MSIG	1,298,753	1,328,718
Grants - KZN	9,892,426	5,413,588
Comm. Based Public Works Programme	72,794	182,862
Department of Land Affairs	4,178,308	1,123,487
Department of Water Affairs	14,542,232	20,398,514
DRUG - Drought Relief	12,808	16,566
Social pilot project	856,893	856,893
Development planning	18,122	16,122
Sports and Recreation	719,617	4,123,382

**28 RETIREMENT BENEFIT INFORMATION**

Personnel and Councilors are members of the Natal West Municipal Pension Fund and the Municipal Councilors Pension Fund. The last actuarial valuation was done on 31 May 2006. A surcharge to fund the shortfall is levied every month.





**31 CONTINGENT LIABILITY**

31.1 M. Hebbewen	\$94,000	\$94,000
The official resigned and did not serve his notice period. When the municipality made the final payment to the official, a deduction was made from his salary for the days not worked. The official is claiming payment for these days.		
31.2 D. Kishaku	20,000	20,000
A fire hydrant outside cover was removed from the road. The claimant damaged his auto despite when he drove over the exposed fire hydrant. Both the claimant and the Local Municipality and Ujuzima District Municipality have been summoned to identify whose responsibility is liable.		
31.3 Umsheni	500,000	\$40,000
Umsheni writes committee has taken the municipality to the high court disputing the water tariff.		
31.4 L. Ruygenh	\$4,164	\$4,468
The municipality had disconnected the water supply to a school for non-payment however the claimant maintained the account was paid by him. The claimant is suing the council for illegal disconnection.		

**32 CONTINGENT LIABILITY (continued)**

32.8 M.E. Mkhona	1,000,000	-
A child had been injured while playing on a waterfall in the Thwasa Area. The claimant is suing the council for injuries sustained.		

**33 EVENTS AFTER THE REPORTING DATE**

The Operations team had supplied the Brooders' area last run dry. The Lubasa Street irrigation board has agreed to extend by meeting water from a dam, right up to the river, managed by them as a temporary measure. The municipality has considered improving water services should the condition worsen. The net result is loss of revenue in the same of water for the 2007/2008 year.

**34 COMPARISON WITH THE BUDGET**

The comparison with the Municipality's actual financial performance with that budget is set out in Annexure D and E.

<b>34 CONSOLIDATED LOANS FUND</b>		
External Loans (See Appendix B)	28 892,690	30,336,854
Internal Investments	-	-
Others	28,062,980	30,336,854
Less:	(28,892,690)	(20,336,854)
Deferred Charges	28,892,690	30,336,854
Escrow Investments	-	-
Debtors	-	-
Temporary Advances	-	-
(Refer to Appendix B for more details)	-	-
Net expenditure changes to borrowing services at an average rate of 14.24%	3,502,946	4,519,207
Interest paid on external loans	-	-
Interest paid on internal investments	-	-
Deferred charges written off	3,502,946	(1,604,825)
Administration charges	(822,173)	-
Less: Interest Earned on external investments	2,640,67	3,076,284





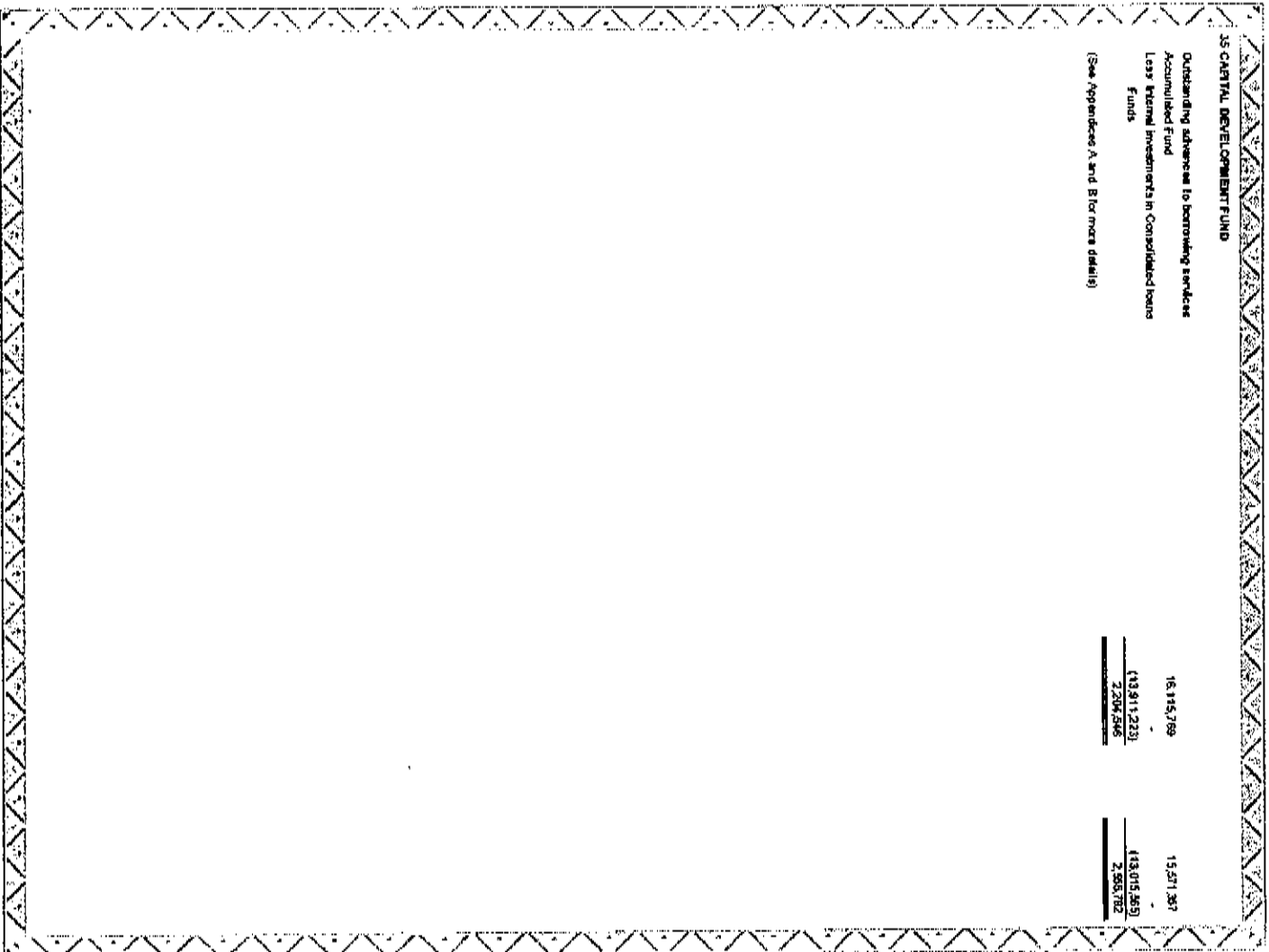
35 CAPITAL DEVELOPMENT FUND

Outstanding advances to borrowing services  
Accumulated Fund  
Less: External Investments in Consolidated Joint  
Funds

16,145,769  
-  
(13,811,223)  
2,334,546

15,571,367  
-  
(13,015,863)  
2,555,502

(See Appendices A and B for more details)



UTRUKELA DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007  
 36 GOVERNMENT GRANTS

Disclosure on expenditure of allocations received from organs of state

DESCRIPTION	BALANCE 2006/06	RE-ALLOCATED 2006/2007	GRANTS 2006/2007	EXPENDITURE 2006/2007	BALANCE 2006/2007
UDM - LAND REFORM PROJECTS	136 960.63	0.00	0.00	136 960.63	0.00
MSG - PALS	8 695.15	0.00	0.00	0.00	8 695.15
MSG - PAMAS	795 720.27	0.00	1 000 000.00	939 581.55	856 138.72
DEVELOPMENT PLANNING	16 121.70	0.00	0.00	0.00	16 121.70
DMAF WATER CONSERVATION	0.00	0.00	2 500 000.00	705 258.06	1 794 741.94
DMAF GRANT	0.00	0.00	420 000.00	0.00	420 000.00
DMAF - IEC	1 434 406.24	0.00	0.00	1 065 949.30	367 456.94
DMAF - DROUGHT RELIEF	3 455 229.31	0.00	0.00	3 470 370.24	-15 140.93
DMAF - WATER SERVICES DEV. FLUM	12 732.89	0.00	0.00	0.00	12 732.89
DMAF - EX 0304	2 063 844.95	0.00	0.00	0.00	2 063 844.95
DMAF - WORKS REPAIRS GRANT	7 197 012.20	0.00	715 000.00	306 860.34	7 605 151.86
DMAF - MAVULA SANITATION	337 729.32	0.00	0.00	0.00	337 729.32
DMAF - ST CHADS	25 435.72	0.00	0.00	0.00	25 435.72
DMAF - BLUE BANK	2 346.86	0.00	0.00	0.00	2 346.86
DMAF - BAKLADASKRRAAL	2 348.97	0.00	0.00	0.00	2 348.97
DMAF - TATANE / MOEKANDA	10 991.46	0.00	0.00	0.00	10 991.46
DMAF - LANGKLOOF PROJECT	5 197.67	0.00	0.00	0.00	5 197.67
DMAF - BETANY	9 228.76	0.00	0.00	0.00	9 228.76
DMAF - GREENPOINT	11 205.88	0.00	0.00	0.00	11 205.88
DMAF - ROOKDALE	440 511.67	0.00	0.00	0.00	440 511.67
DMAF - ZWELISHA / ORANG	9 466.88	0.00	0.00	0.00	9 466.88
DMAF - NYEZANE	31 565.00	0.00	0.00	0.00	31 565.00
DMAF - DSABHUMBE / EKKASEN	203 518.82	0.00	0.00	0.00	203 518.82
DMAF - STANFORD / VAAIKOP	10 826.80	0.00	0.00	0.00	10 826.80
DMAF - HWEBEDE	37 611.39	0.00	0.00	0.00	37 611.39
DMAF - ROOSBOOM	5 066 343.98	0.00	0.00	3 901 853.89	1 164 489.40
KZN - TRANSFORMATION	377 921.34	0.00	0.00	0.00	377 921.34
KZN - MULTIPURPOSE VEHICLE	13 512.00	0.00	0.00	0.00	13 512.00
UTYVAL SPORTS FIELDS	4 863.79	0.00	0.00	0.00	4 863.79
GAS CAPACITY BUILDING	8 739.76	0.00	0.00	0.00	8 739.76
KZN - CURRENT PUBLIC TRANSPORT	53 255.00	0.00	0.00	0.00	53 255.00
IDP GRANT 2007/2003	1 252.31	0.00	0.00	1 252.31	0.00
MSG - DISASTER MANG. FRAMEWORK	445 699.50	0.00	0.00	55 221.25	390 478.25
MSG - TOURISM PROJECTS	58 969.70	0.00	0.00	44 222.50	14 747.20
MSG - DMA IDP 2002/2003	30 000.00	0.00	0.00	0.00	30 000.00
SPECIAL DEVELOPMENT FRAMEWORK	40 000.00	0.00	0.00	0.00	40 000.00
DISASTER MANAGEMENT AREA	50 000.00	0.00	0.00	0.00	50 000.00
KWAADUKUZA RURAL SERVICES	450 000.00	0.00	0.00	432 000.00	18 000.00
NTRAMBALUOPE RURAL SERVICES	170 000.00	0.00	0.00	470 000.00	-300 000.00
CEMETERY STUDY	1 796.00	0.00	0.00	0.00	1 796.00
INCOOP. LAND REFORM PLAN	20 000.00	0.00	0.00	17 400.00	2 600.00

36 GOVERNMENT GRANTS (CONTINUE)

Detailure on expenditure of allocations received from organs of state

DESCRIPTION	BALANCE 30/06/2006	RE ALLOCATED 30/06/2007	GRANTS 30/06/2007	EXPENDITURE 20/06/2007	BALANCE 30/06/2007
KZN - ST QUADS EMERGENCY	5,891.00	0.00	0.00	0.00	5,891.00
KZN - GIS GRANT	2,103.78	0.00	0.00	0.00	2,103.78
KZN - CHANGE MANAGEMENT	82,965.00	0.00	0.00	0.00	82,965.00
KZN - SECURETRIAL MFC	50,000.00	0.00	0.00	0.00	50,000.00
KZN - IMMEDIATE SUPPORT	15,208.00	0.00	0.00	0.00	15,208.00
KZN - DJUKUZA UPGRADE	16,729.47	0.00	0.00	0.00	16,729.47
KZN - TOURISM	22,421.00	0.00	0.00	22,421.00	0.00
KZN - DEVELOP GIS	103,966.53	0.00	0.00	27,516.60	76,449.93
DOT PUBLIC TRANSPORT PLAN	560,000.00	0.00	0.00	459,397.31	100,602.69
SPORTS & REC DRIEFONTEN	159,962.56	0.00	0.00	0.00	159,962.56
KZN - DUMIS 2006/2006	360,000.00	0.00	0.00	0.00	360,000.00
KZN - PERFORMANCE MANAGEMENT	8,600.96	0.00	0.00	0.00	8,600.96
KZN - IDP SUPPORT 2006/2006	49,223.75	0.00	0.00	10,649.72	38,574.03
KZN - GRANT GILIMA	116,600.00	0.00	0.06	116,600.00	0.00
WATER SERVICES DEV PLAN	47,640.90	0.00	0.00	47,640.90	0.00
PROMOTION OF SPORT	1,360.00	0.00	0.00	1,360.00	0.00
CURRENT PUBIC TRANSPORT	109,719.52	0.00	0.00	70,823.72	37,895.80
KZN - W.A.P. FUNDING	18,186.39	19,117.60	0.00	0.00	37,303.99
SPORTS & REC KANDAHAR FIELDS	47,182.85	0.00	0.00	0.00	47,182.85
SPORTS & REC KANDAHAR FIELDS	9,318.49	0.00	0.00	0.00	9,318.49
FINANCIAL MANAGEMENT GRANT	143,794.52	0.00	0.00	0.00	143,794.52
OPUS DROUGHT GRANT	346,916.58	0.00	0.00	250,509.64	96,406.94
SPORTS & REC UMHLUMAYO	16,396.38	0.00	0.00	3,566.32	12,830.06
SPORTS & REC NTABAMHLOPE	212,867.96	0.00	290,000.00	436,698.01	26,679.85
DAMS GRANT FUNDING	660,000.00	0.00	350,000.00	666,450.36	33,549.64
KZN - ASSESSMENT WATER	52,692.90	0.00	0.00	216,905.00	-163,172.00
KZN - DISTRICT MANAGEMENT	290,000.00	0.00	0.00	0.00	290,000.00
KZN - ASSESSMENT OF WATER	490,000.00	0.00	0.00	307,270.80	182,729.20
KZN - IMP TECH & SCIEN	500,000.00	0.00	0.00	600,000.00	-100,000.00
ENVIRONMENTAL YOUTH	0.00	0.00	300,000.00	395,160.00	-95,160.00
KZN DEVELOP INFORMATION SYSTEM	0.00	0.00	190,000.00	0.00	190,000.00
KZN SHARED SERVICES CENTRES	0.00	0.00	1,000,000.00	0.00	1,000,000.00
KZN DISASTER MANAGEMENT	0.00	0.00	800,000.00	0.00	800,000.00
KZN CIVIL PROTECTION	0.00	44,100.00	0.00	18,421.06	25,678.94
INSTITUTIONAL SUPPORT & CAPACITY BUILDING	0.00	0.00	0.00	210,609.02	-210,609.02
KZN GRANT DEPARTMENT OF SPORT	0.00	0.00	300,000.00	0.00	300,000.00
KZN - WATER SERVICE DELIVERY 0405	142,516.00	18,338.25	0.00	125,696.56	35,157.69
KZN - ASSESS SERVICE DELIVERY 0405	294,782.50	263,614.75	0.00	668,307.25	-67,110.00
KZN 0405 INFRASTRUCTURE BUDGOS ST	-96,415.87	980,814.80	0.00	764,398.53	0.00
KZN - MUNICIPAL INFRASTRUCTURE 0405	141,100.66	153,521.66	0.00	294,622.34	0.00
LAND REFORM GILIMA	0.00	50,000.00	160,000.00	196,566.97	14,433.03
LEO PROJECTS GILIMA	0.00	30,000.00	47,084.74	76,235.26	-49,235.26
ARTS & CRAFT GILIMA	0.00	67,600.00	173,148.00	156,190.00	114,458.00
KZN INFRASTRUCTURE GRANT	0.00	0.00	2,066,000.00	0.00	2,066,000.00
KZN DEVELOP INFORMATION SYSTEM	0.00	0.00	80,000.00	0.00	80,000.00
KZN MUNICIPAL PERFORMANCE MANAGE	0.00	0.00	50,000.00	0.00	50,000.00
KZN IDP SUPPORT	0.00	0.00	50,000.00	0.00	50,000.00
KZN CAPACITY BUILDING WATER STAFF	0.00	0.00	600,000.00	0.00	600,000.00
KZN WSA INSTITUTIONAL SUPPORT	0.00	0.00	100,000.00	87,719.30	12,280.70
KZN DISASTER MANAGEMENT	0.00	0.00	706,000.00	0.00	706,000.00
LOCAL GOVERNMENT SETA GRANT	150,102.76	0.00	0.00	0.00	150,102.76



**34 GOVERNMENT GRANTS (CONTINUE)**

Disclosure on expenditure of allocations received from organs of state

DESCRIPTION	BALANCE 30/06/06	RE ALLOCATED 2006/2007	GRANTS 2006/2007	EXPENDITURE 2006/2007	BALANCE 30/06/2007
DWAF EX 03/04	0,40	0,00	0,00	0,00	0,40
SOCIAL PILOT PROJECTS	866,980,00	0,00	0,00	0,00	866,980,00
KZN SOCIAL EMABHEKAZI	69,536,00	0,00	0,00	0,00	69,536,00
MIG	-571,906,04	0,00	76,845,617,67	75,315,366,69	858,333,64
DLA	987,466,01	-86,822,33	0,00	0,00	1,176,306,34
OBPWP	182,952,09	7,893,67	0,00	116,091,34	72,754,42
	<u>29,873,810,06</u>	<u>2,202,824,08</u>	<u>86,845,116,67</u>	<u>82,267,757,67</u>	<u>29,899,810,17</u>

\*NB Refer note 13 Unspent Conditional Grants Totalling R 28 999 911.



	Balance at 2006/06/30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2007/06/30
<b>ACCUMULATED FUNDS</b>						
<b>CAPITAL DEVELOPMENT FUNDS</b>						
Consolidated Capital Development Funds	15,571,357	-	544,412			16,115,769
<i>Total</i>	<b>15,571,357</b>	-	<b>544,412</b>	-	-	<b>16,115,769</b>
<b>RESERVES</b>						
Maintenance Fund	801,971		42,913			844,884
<i>Total</i>	<b>801,971</b>	-	<b>42,913</b>	-	-	<b>844,884</b>
	<b>16,373,328</b>	-	<b>587,325</b>	-	-	<b>16,960,653</b>

<b>EXTERNAL LOANS</b>	<b>Balance 2006/06/30</b>	<b>Received during the Year</b>	<b>Interest Accrued</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2007/06/30</b>
<i>Is Redeemable</i>					
Finance leases	613,896	1,481,033		746,845	1,348,084
Annuity Loans: DBSA	29,725,958	-	757,761	3,169,143	27,314,576
	<b>30,339,854</b>	<b>1,481,033</b>	<b>757,761</b>	<b>3,916,988</b>	<b>28,662,650</b>

<b>INTERNAL ADVANCES TO BORROWING SERV.</b>	<b>Balance 2006/06/30</b>	<b>Received during the Year</b>	<b>Interest Accrued</b>	<b>Redeemed, written off during the Year</b>	<b>Balance 2007/06/30</b>
Capital Development Fund	2,555,792	227,497	-	578,743	2,204,546
	<b>2,555,792</b>	<b>227,497</b>	<b>-</b>	<b>578,743</b>	<b>2,204,546</b>

Expended 2005/2006	SERVICE	Budget 2007	Balance at 2006/07/01	Expended 2006/2007	Written off, transferred, recovered or disposed of during the Year	Balance at 2007/06/30
R		R	R	R	R	R
285,890,707	<b>GENERAL SERVICES</b>	304,400	618,635,081	74,409,281	1,925,323	691,119,039
285,890,707		304,400	618,635,081	74,409,281	1,925,323	691,119,039
1,288,939	Resources Support Services		28,863,550	322,041	1,501,452	27,084,028
	Office furniture & Equipment	194,400	-	211,694	702,868	-
	Plant and Equipment	100,000	-	110,347	34,565	-
	Vehicle	-	-	-	1,164,141	-
284,601,768	District Water and Sanitation Services		589,971,531	74,087,240	23,781	664,035,010
	Office furniture & Equipment	10,000	-	-	8,884	-
	MIG and DWAF	-	-	72,585,041	-	-
	Motor Vehicles	-	-	1,481,033	-	-
	Plant and Equipment	-	-	41,166	14,877	-
285,890,707	<b>TOTAL FIXED ASSETS</b>	304,400	618,635,081	74,409,281	1,925,323	691,119,039
280,723,838	<b>LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>		886,866,362	77,406,899	1,925,323	682,087,768
1,017,855	Loans Redeemed		4,574,957	1,325,588	937,437	4,983,108
790,131	Contributions from Current Income		5,174,677	340,052	532,495	4,982,234
275,201,865	Grants and Subsidies		556,348,524	72,571,918	451,730	627,488,710
211,204	Okhahlamba KZNPA (Current Income)		211,204	-	-	211,204
3,502,683	DBSA Loan redeemed		21,187,081	3,169,143	-	24,356,224
0	Proceeds Insurance Claims		79,723	-	3,861	78,062
0	Bank Overdraft		10,218	-	-	10,218
5,168,868	<b>NET FIXED ASSETS</b>		32,048,699	(2,997,618)	(0)	29,051,281

\* The amount of R1 481 033 expended under the Water Services Department in respect of vehicles is financed through external leases and was budgeted for under Capital Charges on the 2006/2007





FINANCIAL STATEMENTS  
 STATE OF TEXAS  
 DEPARTMENT OF TRANSPORTATION  
 STATE HIGHWAY DEPARTMENT  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 2007

	Actual 2006 R	Actual 2007 R	Budget 2007 R
<b>1221,393,956</b>	<b>INCOME</b>	<b>(244,632,294)</b>	<b>(292,534,947)</b>
(16,969,653)	- Levy income	(185,006,984)	(180,755,137)
(148,852,619)	- Grants and Subsidies	(52,328,000)	(101,299,810)
(53,277,349)	- Water and Sanitation Sales	(7,297,310)	(480,000)
(2,294,235)	- Other income		
<b>224,766,565</b>	<b>GROSS EXPENDITURE</b>	<b>245,497,391</b>	<b>292,534,947</b>
55,709,625	- Salaries, Wages and Allowances	61,409,895	62,986,566
44,408,289	- General Expenses	55,392,407	57,287,159
9,717,654	- Repairs and Maintenance	9,246,051	9,113,325
8,182,883	- Capital Charges	7,101,438	7,630,589
790,131	- Contribution to Fixed Assets	322,853	304,400
7,765,214	- Contributions	7,741,296	5,416,431
98,192,769	- Capital Projects	104,283,451	119,796,477
<b>224,766,565</b>	<b>NET EXPENDITURE</b>	<b>246,497,391</b>	<b>292,534,947</b>





STATISTICAL INFORMATION

a) General Statistics		2007	2006
(i) Levy tariffs			
Regional Service Levy			
(% of Salaries, wages and drawings)		0.30%	0.30%
Regional Establishment Levy			
(% of Turnover excluding VAT)		0.12%	0.12%
(ii) Number of Registered Levy Payers			
(iii) Number of Employees		6290	6662
(iv) Water Tariffs		585	585
Description			
1 Tariff for accessibility to water (occupied and unoccupied)		R20.00/month	
2 Sewer Tariff (Fixed Amount occupied and unoccupied)		R40.00/month	
3 Water tariff for restricted water use (un-treated)		R40.00/month	
4 Sewer tariff for restricted usage (un-treated)		R40.00/month	
5 Servicing sewer conservancy tanks/pits		R150.00/month	
Integrated Step Tariff			
6 Water tariff for water usage up to 1 000l		R4.36/l	
7 Water tariff for water usage above 1 000l (Water loss could not be determined as accurate bulk readings could not be obtained)		R1.80/l	
8 Bulk Raw water supply		R0.95/l	
9 Bulk Potable water supply (JFC Estate)		R1.80/l	
10 Emergency Services Connection (excluding emergency services)		R10.00/l	
11 All connections, repairs and work required from Council Domestic		Average Cost + 10%	
12 All connections, repairs and work required from Council other		Cost + 10%	
13 Trade Effluent		R= Flow(35+(Sx0.76)+(Ax0.08)	
14 Account Deposits		2.5 Times Avg Monthly Account for new and defaulting consumers	

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31 JUNE 2007**

	2007 R	2006 R
<b>CASH GENERATED IN OPERATING ACTIVITIES</b>	<b>76,787,110</b>	<b>284,180,982</b>
Cash (utilised)/ generated in operations	(164,108,989)	(157,433,374)
Investment Income	1,097,827	1,788,427
(Increase)/ Decrease in working capital	(14,277,489)	(31,443,197)
<u>Less : External Interest Paid</u>	<u>(3,502,955)</u>	<u>(787,308,148)</u>
Cash (utilised)/ generated in operations	(180,791,799)	(190,653,452)
Operating grants received	185,008,864	148,852,818
Cash contributions from the public and the state	72,571,918	326,881,815
Net proceeds on disposal of fixed assets		
<b>CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(74,123,831)</b>	<b>(286,408,445)</b>
Increase/ Decrease in Long Term Debtors	286,480	(817,738)
Investments in Fixed assets	(74,408,281)	(285,590,707)
<b>NET CASH INFLOW</b>	<b>2,553,279</b>	<b>(2,247,464)</b>
<b>Cash effects of financing activities</b>		
Decrease/ Increase in long-term borrowings	(1,637,194)	(3,241,018)
(Increase)/Decrease in cash investments	4,611,185	(4,087,441)
Decrease/ (Increase) in cash and cash equivalents	(18,354,880)	6,090,593
Net Cash (utilised)/ Generated	<b>(15,520,889)</b>	<b>(2,247,464)</b>

Note

## PERFORMANCE REPORT FOR 2006/2007

Department: Office of the Municipal Manager			
Key Performance Area	Key Performance Indicator	Target	Performance
Budget Formulation	Adopted budget in terms of the Municipal Finance Management Act (MFMA)	As per MFMA Guidelines and Timeframes	Budget Process Plan implemented as per MFMA
Customer Care	Establishment of a Functional Customer Care System to facilitate the delivery of water and sanitation services	Customer Care Centre that is operational at all times	Customer Care established and operational 24 hours a day
Municipal Infrastructure Grant (MIG) Implementation	Expenditure of MIG budget as per MIG budget schedule	100% expenditure of MIG Budget by 30 June 2007	100% MIG expenditure achieved by 30 June 2007
Health and Safety	Establishment of a HIV/AIDS Council	HIV/AIDS Council established by 30 June 2007	HIV/AIDS Council established on 31 May 2007, official launch in December 2007
	Establishment of a Health and Safety Committee	Health and Safety Committee established by 30 June 2007	Health and Safety Committee established and list of members available
IDP	Adopted IDP	Adopted IDP by 30 June 2007	IDP adopted by 30 June 2007
Disaster Management	Establishment of a Disaster Management Forum	Establishment of a Disaster Management Forum by 30 June 2007	Disaster Management Forum established

Department		Corporate Services		
Key Performance Area	Key Performance Indicator	Target	Performance	
Disaster Management	Appointment of Disaster Management	Appointed by 30 June 2007	Appointed in March, started on 1 April 2007	
	Establishment of Disaster Management Forum	Established by 30 June 2007	Forum Established on 17 May 2007	
Community Facilitation	Appointment of two Development Facilitators	Appointed by 30 June 2007	Appointed in June, commencing on 1 July 2007	
	Appointment of one Senior Development Facilitator	Appointed by 30 June 2007	Appointed in June, commencing on 1 July 2007	
Administrative Support	Appointment of one Messenger	Appointed by 30 June 2007	Appointed in June, commencing on 1 July 2007	
Human Resource Policy	Drafting of a Human Resource Policy	Draft HR Policy by 30 June 2007	Policy Drafted completed on 30 June 2007	
<b>Department: Water Services</b>				
Key Performance Area	Key Performance Indicator	Target	Performance	
Capacity Building	Training of staff for the maintenance of water and wastewater infrastructure	At least 25 staff trained by 30 June 2008	28 Staff trained by 30 June 2007	
	A functional customer care system to facilitate monitoring and reporting	Three shifts per day, 24 hours per day, seven days a week	100% Compliance	
Customer Care	Daily monitoring of fault logs	Daily reporting	100% Compliance	
Administration	Appointment of Deputy Water Services Manager	31 July 2006	Appointment made on 3 July 2006	
Infrastructure Improvement	Assessment of Municipal Waste Water and Water Treatment Plants	31 January 2007	Assessment completed in December 2006	
Ezakhani refurbishment	Appointment of service provider	30 June 2007	Letter of appointment signed 24 January 2007	

Department	Portfolio	Target	Performance
Key Performance Area	Key Performance Indicator	Target	Performance
Creditors	Creditors days	30 Days from receipt	Creditors paid within 30 days
Reporting Systems	Extent of compliance with financial reporting requirements to Council and Provincial Treasury	30 June 07	Reports submitted to Council and affected departments, no funds were withheld
Debt	Report on debtors to total income	30 June 07	Total Fixed Assets: R691,119,039 Total Income: R244,632,294
Integrated Development Planning	Report on % of capital budget spend on projects as set out in the IDP	30 June 07	100% expenditure on MIG and Drought Relief Programme
Acid test Ratio	Report on ratio of current assets less inventory to current liabilities	30 June 07	Current Assets: R70,540,037 Inventory: R5,409,999 Current Liabilities: R93,127,594 Current Ratio: 1:1.96
Asset turnover	Report on revenue as a % of total assets	30 June 07	Revenue: R244,632,294 Current Assets: R70,540,037 Total Fixed Assets: R691,119,039 Total Assets: R761,659,076 Revenue as a % of Total Assets: 32.12%
Asset/liability	Report on ratio of current assets to current liabilities	30 June 07	Current Assets: R70,540,037 Current Liabilities: R93,127,595 Current ratio: 1:1.21

Department	Financial Year End (Continued)	Target	Performance
<b>Key Performance Area</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Performance</b>
Debt to fixed assets	Report on debt as a % of fixed assets	30 June 07	Long Term Debtors: R1,619,911 Current Liabilities: R93,127,594 Fixed Assets: R691,119,039 Debt as a % of fixed assets: 13.47%
Debtors to Annual Income	Report on debtors as a % of income	30 June 07	Debtors: R63,746,886 Income: R244,632,294 Debtors as a % of income: 26.05%
Growth to Debtors	Report on % growth in debtors	30 June 07	2006 Debt balance: R42,870,660 2007 Debt balance: R63,746,886 Difference: R20,876,2264 % Growth in Debtors: 48%
Income	Report on % growth in income	30 June 07	Income year end 2006: R221,393,856 Income year end 2007: R244,632,294 Difference: R23,238,438 % Growth in income: 10.49%
Interest paid	Report on interest paid as a % of operating expenditure	30 June 07	Interest paid for year end 2007: R3,858,544 Operational expenditure for year end 2007: R245,497,391 Interest paid as a % of operational expenditure: 1.57%



Detailed Information		Financial Results (Continued)		
Key Performance Area	Key Performance Indicator	Target	Performance	
Investments to debts	Report on investments as a % of debts	30 June 07	Investments: R9,810,035 Current Liabilities: R93,127,594 Investments as a % of debts: 10.53%	
Maintenance	Report on maintenance cost as a % of total expenditure	30 June 07	Total Maintenance Costs: R9,246,051 Total Expenditure: R245,497,391 Maintenance cost as % of total expenditure: 3.76%	
Personnel	Report on personnel cost as a % of total expenditure	30 June 07	Personnel Costs: R61,409,895 Total Expenditure: R245,497,391 Personnel cost as % of total expenditure: 25.01%	
Financial Policies	Report on progress made towards the development of financial policies	30 June 07	Financial policies were developed and incorporated into the Financial Regulations. With the enactment of the MFMA, a policy was developed and adopted to comply with Supply Chain requirements.	
Annual Budget	Preparation and adoption of the budget	As per Municipal Finance Management Act (MFMA)	Assistance was given to the Mayor which culminated in the timely submission of the Budget Process Plan, consultation processes and adoption of the budget.	

Department		Technical Services		
Key Performance Area	Key Performance Indicator	Target	Performance	
Water	Proper implementation of prioritised projects, financed by council, as contained in the IDP	Submit monthly reports to MM	Completed. Most projects are multi-year projects. 100% Expenditure	
	Report in Implementation	Submit monthly reports to MM	Completed	
	Budget Control	Submit monthly reports to MM	Completed	
	Proper implementation of prioritised projects, financed by council, as contained in the IDP	Submit monthly reports to MM	Completed. Most projects are multi-year projects. 100% Expenditure	
Sanitation	Report in Implementation	Submit monthly reports to MM	Completed	
	Budget Control	Submit monthly reports to MM	Completed	
	Proper implementation of prioritised projects, financed by council, as contained in the IDP	Submit monthly reports to MM	Completed. Most projects are multi-year projects. 100% Expenditure	
Sports and Recreation	Report in Implementation	Submit monthly reports to MM	Completed	
	Budget Control	Submit monthly reports to MM	Completed	
<b>Department Strategic Planning and Economic Development</b>				
Key Performance Area	Key Performance Indicator	Target	Performance	
LED	Assessment of the Economic Impact of the Land Reform Programme	Final Technical Report by 30 June 2007	Draft by 30 April 2007 at time of leaving the Municipality	
	Integration and Operationalization of LED Plans	Final Technical Report by 30 June 2007	Draft by 30 April 2007 at time of leaving the Municipality	

Strategic Planning and Economic Development			
Department	(Component)		
Key Performance Area	Key Performance Indicator	Target	Performance
IDP	IDP Document	Adopted IDP by 30 June 2007	Draft by 30 April 2007 at time of leaving the Municipality
Growth and Development Summit	Hosting of a District Growth and Development Summit	One Growth and Development Summit by 30 June 2007	Summit held of 1 and 2 February 2007
Sport/Youth	Kwataloga Games	One event per annum	Event held between 2-4 December 2006
	Mayoral Cup	One event per annum	Event held on 20 August 2006
<b>Department: Health and Environmental Services</b>			
Key Performance Area	Key Performance Indicator	Target	Performance
Prevention & Control of communicable diseases	Number of health promotion events	4 Health promotion Events by June '07	4 Health promotion events held as follows:- - Arbour Day held on the 5 <sup>th</sup> September 2006 at Mpunuzi Primary School (Loskop) - World Food Day held on the 31 <sup>st</sup> October 2006 at Mjindini Sports Ground (Mhlumayo) - World Aids Day held on the 1 <sup>st</sup> December 2006 at Muntuza Primary School (Umtshezi) - Water & Sanitation Week held on 27 March 2007 at Kwamadlaka Stadium (Ezakeni)
			Draft document in place by June 2007

**Department: Health and Environmental Services (Continued)**

Key Performance Area	Key Performance Indicator	Target	Performance
Mitigation of the impact of HIV/AIDS	Establishment of HIV/AIDS Council	HIV/AIDS Council in place by May 2007	HIV/AIDS Council established on 31 <sup>st</sup> May 2007. Official launch to take place in December 2007
	Facilitation of the establishment of income generating projects for People Living With Aids (PLWA)	2 projects by June 2007	-Mpilothle Club assisted with Sewing Machines for income generating projects - Strunye HIV/AIDS Support Group assisted with garden tools.
Air Pollution Control	Establishment of Air Quality Management Forum	Forum in place by April 2007	Forum established on the 6 <sup>th</sup> February 2007
	Development of Draft Air Quality Management Plan	Plan in place by June 2007	Draft plan in place
Waste Disposal Monitoring and Control	Establishment of Waste Management Forum	Forum in place by May 2007	Forum established on the 5 <sup>th</sup> April 2007
	Development of Terms of Reference for Integrated Waste Management Plan	Terms of Reference in place by June 2007	Framework of IWMP with Terms of Reference developed on the 22 <sup>nd</sup> June 2007
Promotion of Occupational Health & Safety	Establishment of Health & Safety Committee	Committee in place by June 2007	List of Committee Members available
	Establishment of Health & Safety Committee	Committee in place by June 2007	Occupational Health & Safety Committee established on the 31 <sup>st</sup> May 2007

## Performance Targets for 2007/2008

Key Performance Area	Key Performance Indicators	Target
Performance Management	PMS Planning Phase	All performance contracts signed by 31 July 2007
	PMS Monitoring and Coaching	At least 36 meetings with HODs per annum Receiving Quarterly Reports from all HODs within two weeks after each quarter Assessing Quarterly Reports and providing feedback to HODs two weeks after receiving the report
Water and Sanitation Infrastructure Provision	Performance Review	Receiving Annual Reports from all HODs by 11 July 2008
		Assessment by Internal Auditor by 18 July 2008
		Final Audit Reports by 31 July 2008
		Assessment by External Audit Committee by 31 July 2008
HIV/AIDS	PMS Assessment and Rewarding	Finalisation of PMS Assessment and Rewarding by 15 August 2008
	Expenditure as per MIG cash flows and schedules	95% expenditure of the MIG allocation by 30 June 2008
Water loss and management	Establishment of a District HIV/AIDS Council	Established District HIV/AIDS Council by 31 December 2007
	Infrastructure maintenance	90% of all identified water and sanitation problems addressed within one week
Public Safety	Development and implementation of Milk Control By-Laws	Milk Control Bylaws by 31 December 2007 and quarterly reports thereafter (March 2008 and June 2008)
	Establishment of a Health and Safety Committee	Established Health and Safety Committee by 31 December 2007

Key Performance Area	Key Performance Indicators	Target
Council Finances	Report on financial viability in terms of the National Key Performance Indicators	Report on financial viability of council by 31 July 2008
	Adopted and submitted Municipal Budget	The submission of a budget in terms of the MFMA, both in terms of content and time-frames
	Valuation Role and Rates Policy	Implementation of the Property Rates Act by 30 June 2008
	Establishment of a Disaster Management Centre	Establishment of a Disaster Management Centre by 31 October 2007
Disaster Management		
District Economic Development	vThukela District Municipality Growth and Development Summit	Hosting one District Growth and Development Summit by 30 June 2008
Institutional support – Admin Services	Secretarial support	Minutes available within one week of the meeting that is accessible and accurate and filed for proper record keeping
	Maintenance of buildings	Maintenance of reported faults within one week
Institutional support – HIV/AIDS Strategy	Established Employment Assistance Programme (EAP)	Establish an EAP by 31 December 2007
	Implementation of the EAP	EAP monitoring report by 30 June 2008
	Adherence of the strategy to the legal framework	100% compliant document by 31 December 2007
Governance - Security	Monitoring of the existing security contract	Quarterly reports on solved cases and progress made
	Public Safety Programme	Development of a Public Safety Programme by 31 December 2007
Governance – Public Safety	Approved and adopted Public Safety Programme	An approved and adopted Public Safety Programme by 29 February 2008

Key Performance Indicators	Target
<p>Governance – Public Safety (Continued)</p> <p>Governance – Disaster Management</p> <p>Implementation and monitoring of the programme</p> <p>Review of the Disaster Management Plan</p> <p>Disaster Management Centre</p> <p>Disaster Management Framework</p> <p>Disaster Management Capacity Building</p>	<p>Quarterly Reports on the implementation and monitoring of the Public Safety Programme to MANCO</p> <p>A reviewed and adopted Disaster Management Plan by 31 December 2007</p> <p>Establishment of a Disaster Management Centre by 31 October 2007</p> <p>Established Disaster Management Framework by 30 September 2007</p> <p>Four meetings and training sessions per annum</p>
<p>Institutional Support – Skills</p> <p>Skills Profile/ Assessment</p> <p>Workplace Skills Plan</p> <p>Training Plan</p> <p>Report on training</p>	<p>Quarterly reports to MANCO on the implementation of the Disaster Management Plan</p> <p>Gathering of Skills Profile by 31 December 2007</p> <p>Compilation of a Workplace Skills Plan by 30 June 2008</p> <p>Compilation of a Training Plan by 30 June 2008</p> <p>A report on 2007/2008 training by 30 June 2008</p>
<p>Governance - Policies</p> <p>Human Resource Policy</p>	<p>Development and adoption of a Human Resource Policy by 31 December 2007</p> <p>Implementation of the adopted Human Resource Policy by 30 June 2008</p>
<p>Governance – Community Consultation</p> <p>Facilitate community awareness meetings on service delivery</p>	<p>A minimum of two community meetings on service delivery per annum by 31 June 2008</p>
<p>Institutional Support – Employment Equity Plan (EEP)</p> <p>Review and adoption of the EEP</p> <p>Implementation of the EEP</p> <p>Monitoring of the EEP</p>	<p>Reviewed and adopted EEP by 31 December 2007</p> <p>Implementation of the EEP as per EEP timeframes</p> <p>Annual report on the implementation of the EEP by 30 June 2008</p>

National Key Performance Indicators	Key Performance Indicators	Target
National Key Performance Indicators National Key Performance Indicators	Percentage of households earning less than R1 000 per month with access to free basic services	Report by 30 June 2008
	Percentage of the Municipality's capital budget actually spent on capital projects identified in a particular year's IDP	Report by 30 June 2008
	Financial viability expressed in the following ratios: Debt Coverage: (B-C)/D B - Total operating revenue received	
	C - Operating grants D - Debt service payments (i.e. interest + redemption) due within the financial year	
	Outstanding Service Debtors to Revenue: B/C B - Total outstanding service debtors C - Annual revenue actually received for services	Report by 31 July 2008
	Cost Coverage: (B+C)/D B - All available cash at a particular time C - Investments	
	D - Monthly fixed operating expenditure	
	The percentage of your budget actually spent on implementing you Workplace Skills Plan	Report by 30 June 2008



Key Performance Area	Key Performance Indicators	Target
National Key Performance Indicators	The number of people from employment equity target groups employed in the three highest levels of management in terms of your approved employment equity plan	Report by 30 June 2008
Internal Auditor	Engagement with the Internal Audit	Internal Audit Report by 30 May 2008
	Motivation to council for the confirmation of the already trained intern	An improvement of 50% on the previous years audit queries Establishment of an Internal Audit Unit by 28 September 2007
Governance	Compilation and submission of the Financial Statements	As per MFMA
Institutional Capacity	Valuation Role and Rates Policy	Implementation of the Property Rates Act by 30 June 2008
Governance and financial viability	Technical support to the Mayor for the correctness, timeliness and realistic submission of the budget	The submission of a budget in terms of the MFMA, both in terms of content and timeframes
	Development of Air Quality and Waste Management Plans	Establishment of the Forum by 31 December 2007 Adoption of the plans by 30 June 2008
Development of Health and Safety Programme	Monitoring the implementation of the Air Quality and Waste Management Plans	Quarterly Reports to MANCO
	Establishment of a Health and Safety Committee	Establishment of the Health and Safety Committee by 31 December 2007
	Development of a Health and Safety Strategy	Development and adoption of the Health and Safety Strategy by 30 June 2008
	Implementation of the Health and Safety strategy	Quarterly reports on the Health and Safety Strategy to MANCO

Key Performance Indicators	Key Performance Indicators	Target	
Financial viability	Fleet management	Maintenance plan by 31 December 2007	
	Effective procurement system	Reduced number of complaints from the SCM unit by 30 June 2008	
	Asset management	Updated Asset register by 30 June 2008	
	Audit response and application of recommendation	Quarterly report on Internal and external audit recommendations	
	GAMAP conversion	Converted Financial statements by 31 December 2008	
	Internal Systems control and monitoring	At least two monthly random checks on internal control and reports	
	Creditors payments	Timeous payment of creditors (30 days)	
	Application of the Credit Control Practices	Adherence to Credit Control Practices by 31 December 2007	
		Exploration of at least one incentives scheme and submission to Council for consideration to encourage culture of payments	Update the IT for billing and credit control by 30 June 2008
		Report results of incentives to MANCO and Council	Exploration of new mechanism to maximise the collection and minimise wastages by 30 June 2008
Road shows on importance of paying for services	Develop incentives and submit to Council for consideration by 30 December 2008		
Media awareness tools indicating the need for paying for services	Report results of incentives to MANCO and Council by 30 January 2008		
Materials which promote the culture of payment for services	At least one road show on importance of paying for services by 30 June 2008		
Mechanisms which will enhance the message on culture of payment	Develop media awareness tools indicating the need for paying for services by 30 June 2008		
	Develop materials which promote the culture of payment for services by 30 June 2008		
	Explore other mechanisms which will enhance the message on culture of payment by 30 June 2008		

Project Title	Key Performance Indicators	Target
MIG Water and Sanitation Infrastructure Provision	Umhlangwe (Meyi Extension)	Implementation of the projects as per MIG cash flows and schedules and other projects - reductions backlogs
	Amangwe / Loskop	
	Ntabantlopho Water Supply Ph 1	
	Moyeni Zwelisha Ph 4 Dukuzo/Hoffenthal	
	Moyeni Zwelisha Water Scheme	
	Driefontein Bulk Water Supply	
	Bergville Bulk	
	Indaka Bulk Water Audit	
	Bethany San	
	Tatane/Mgedandaba San	
	Stanford Vaalkop San	
	Sahlumbe Enkaseni San	
	Greenpoint San	
	Enkomokazini San	
	Kwawala San Ph 2	
Roosboom San		
Zwelisha Okhahlamba San		
Kwankhize San		
Emahlutshini San		
Emnause San		
Kwalandini San		
Edashi San		
Watersmeet San		
Ezakheni : Water Borne Sewer Section E		
Ezakheni : Water Borne Sewer Section E Extension		
Ekuvukeni Taxi Rank		
Pnu		

Key Performance Indicators	Key Performance Indicators	Target
Other Funding Water and Sanitation Infrastructure Provision	Indaka Bulk	Submission for approval to DWAF by 30 June 2008
	Emanjokweni Augmented water Scheme	
	Silmangamehlo/Emadolohemi San	
	Bergville Sewage and Sewer Reticulation	
	Nobamba Ezitendeni San	
	Nhlawe water supply scheme	
	Newstand Sportsfield	
	Zwelisha Mbabazane San	
	Nyezane San	
	Kwahlathi san	
Local Economic Development	Jononoskop San	Submission for approval to DPLG for MIG allocation by 30 June 2008
	Ntshamhlope Water Supply Ph 2	
	Obonjani San	
	Hwebede San	
	Thembalhlie San	
	UThukela Plant Refurbishment	
	District Growth and Development Summit	
	Regional Economic Development Programme	
	Development and Adoption of an Infrastructure Maintenance Plan	
	Monitoring the implementation of the Infrastructure Maintenance Plan	
Infrastructure maintenance	Infrastructure maintenance	90% of reported maintenance problems addressed within one week
	Infrastructure maintenance	Submission of Monthly Reports to MANCO

Key Performance Area	Key Performance Indicators	Target
National Key Performance Indicators	Percentage of households with access to basic levels of water, sanitation, electricity and solid waste removal	Report by 30 June 2008
	Establishment of project steering committee	Committee in place and functional by 30 June 2008
Prevention of water wastage and loss	Drafting Terms of Reference for the committee	Terms of Reference by 30 June 2008
	Identify areas with high level of water loss and implement interventions	Identification of water loss in Ezakheri by 30 June 2008
Governance of the sampling of water sources	Sampling of water sources for bacteriological and chemical analysis	As per Water Sampling Programme
	Communication of the results	Monthly report of results to MANCO and DWAF, 12 reports by 30 June 2008
Implementation of a Communicable Diseases Control Strategy	Conduct Health Promotion Awareness Campaigns	At least four Health Promotion Events organised per annum
	Sampling of food stuffs	As per Food Sampling Programme
Food Safety Control	Conduct inspections on food premises	
	Development and adoption of Milk Control Bylaws	Adoption of bylaws by 31 December 2007
Establishment of HIV Aids strategy	Implementation of Milk Control Bylaws	Quarterly Reports on Milk Control
	Establishment of a District AIDS Council	Established council by 31 December 2007
	Development and adoption of a HIV/AIDS Strategy	Adoption of the strategy by 30 June 2008
	Implementation of the HIV/AIDS Strategy	Quarterly Reports to MANCO on the implementation of the strategy

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL  
PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF UTHUKELA DISTRICT MUNICIPALITY  
FOR THE YEAR ENDED 30 JUNE 2007**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of UThukela District Municipality which comprise the balance sheet as at 30 June 2007, income statement, 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 8 to 28.

**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 as set out in accounting policy note 1.1 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
  - 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

8. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting as set out in accounting policy note 1.1.

#### **Basis for qualified opinion**

##### **9. Receivables (debtors)**

9.1 Debtors amounting to R53.2 million had been outstanding for more than 120 days at 30 June 2007 and there was an increase of 62% in the debtors over 120 days from 30 June 2007 to 31 October 2007. However, the provision for bad debts amounted to only R38 million. Due to the council not having a policy on provision for doubtful debts, it was not possible to assess whether the provision of R38 million was adequate with respect to the long-outstanding debtor balances.

##### **10 Revenue (income)**

###### **10.1 Water sales**

I was unable to verify the completeness and accuracy of revenue amounting to R40 million, as the controls implemented to read meters, register new applications and update records pertaining to existing water debtors were not adequate due to the following:

- It could not be ascertained if the billable customers who were taken over from the local municipalities were a complete list and that all customers receiving water were being billed.
- Completeness of application forms could not be determined as they were

- not prenumbered.
- Some debtor files did not contain application forms and other supporting documentation to verify the accuracy and completeness of the information used for the billing process.
- Opening readings could not be verified due to a lack of supporting documentation.
- The size of water pipes was not documented and therefore it could not be established if the correct tariff had been utilised in the billing process.
- There was no evidence that all meters were being read on a monthly basis.
- No estimates were used for billing when no readings were taken.

#### **10.2 Interest on overdue accounts**

In terms of section 64(1)(g) of the MFMA the accounting officer must take all reasonable steps to ensure that the municipality charges interest on arrears accounts unless the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework. In addition, according to paragraph 6.9 of the credit control and debt collection policy of the municipality, interest should be levied on all overdue accounts using the interest rate of prime plus 1%.

The penalty interest charged on a monthly basis could not be verified due to the unavailability of a monthly debtors age analysis. It could not be ascertained if the interest was levied in accordance with the credit control and debt collection policy. Consequently, interest recorded of R4.9 million and the related debtors' account balance could not be verified.

#### **Qualified opinion**

11. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of UThukela District Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1.1 and in the manner required by the MFMA.

#### **Emphasis of matter**

12. I draw attention to the following matter:

#### **Highlighting a matter affecting the financial statements**

##### **Going concern**

Although the executive director's report on page 3 of the financial statements highlights the extreme financial challenges facing the municipality, the following further matters relating thereto were noted at



- year-end:
- The municipality was still facing a severe negative cash flow situation.
  - The history of accumulated losses during the past financial years.
  - The Metropolitan Life investment policies of R9,8 million were ceded as security for the bank overdraft facility as per note 8 to the financial statements.
  - Statutory funds, provisions and reserves totalling R17 million at year-end were not fully supported by investments and cash. External investments and cash excluding investments that were ceded amounted to R1,3 million, causing a shortfall of R15,7 million.
  - A drastic rise in current debtors by R21,8 million (30%) from R70 million to R91,8 million.
  - Revenue recorded for the year under review was substantially below the budget.

Council did not have an adequate comprehensive plan in place to address the matters raised above. As there was no evidence that a turnaround strategy had been developed, approved and implemented by management, there is significant uncertainty with respect to the municipality's ability to meet both short- and long-term debt in the near future.

#### **OTHER MATTERS**

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

#### **13. Non-compliance with applicable legislation**

##### **Municipal Finance Management Act**

No formal risk management policy or process has been established and incorporated into the municipality's system to assess, manage and control risk on a continuous basis as required by section 62(1)(c) of the MFMA.

The municipality was in a net overdraft position during certain months of the year, for which no evidence could be produced that the municipality informed the treasury as required by section 70(2) of the MFMA.

#### **14. Matters of governance**

##### **Internal audit and audit committee**

Section 165 of the MFMA requires the municipality to establish an internal audit function. The following shortcomings in respect of the internal audit function were noted during the audit:

- There was no approved internal audit charter.
- The internal audit plan for the year under review had not been approved.
- The audit committee was not established for the major duration of the year.

**15. Material corrections made to the financial statements submitted for auditing**

The financial statements, approved by the accounting officer and submitted for auditing on 31 August 2007, have been significantly revised in respect of the following material misstatement identified during the audit:  
Credit balances included in debtors resulted in the understatement of debtors and creditors by R2.8 million. This error was corrected.

**16. Internal control**

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 existed in more than one internal control component.

Reporting Item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for qualification of opinion</b>					
Debtors			X		X
Water sales and sanitation			X		X
Interest on overdue accounts					X
<b>Emphasis of matter</b>					
Going concern		X			X
<b>Other matters</b>					
Non-compliance with applicable laws and regulations		X			X
Matters of governance	X				X
Material corrections to the financial statements			X		X

**17. Investigations in progress or completed**

With reference to paragraph 7 of the directors' report in the financial statements, an investigation is in progress to probe the manner in which investments to the value of R5,2 million, included in debtors that matured during the year under review, were made.

**18. Unaudited supplementary schedules**

The supplementary information set out on pages 28 to 34 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**

19. I was engaged to audit the performance information.

**Responsibility of the accounting officer for the performance information**

20. 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 by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

**Responsibility of the Auditor-General**

21. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007* and section 45 of the MSA.

22. 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.

23. 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)**

**24. Non-compliance with regulatory requirements**

**No reporting of performance information**

In terms of section 41(e) of the MSA the municipality must establish a process of regular reporting of performance to the council, political structures, other political office-bearers, municipal staff, public and other organs of state. However, the municipality did not issue any monthly, quarterly or annual performance reports as a means of creating this regular reporting to the said persons.

**Existence and functioning of a performance audit committee**

The municipality did not appoint and budget for a performance audit committee, neither was the audit committee utilised as the performance audit committee.

**Internal auditing of performance measurements**

The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required in terms of section 45 of the MSA.

**Integrated development plan (IDP) and key performance indicators (KPIs)**

The KPIs for the performance management system (PMS) were not aligned with the KPIs as per the IDP as required by the PMS framework and the IDP.

**25. APPRECIATION**

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

*Christie - Gorman*

13 December 2007

Pietermaritzburg



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



## RESPONSE TO THE AUDITOR GENERAL REPORT

Following are responses to the issues raised in the report,  
(Numbering used is as per the audit report)

### 9.1. Receivables

It can not be argued 100% of the council debtors who are more than 90 days will not pay their debts, since the report suggests that the full provision needs to be made for these debtors.

It has been noticed that some of these accounts have been handed over to counclls' attorneys for recovery.

There is also an element of the Estcourt crises committee issue, where consumers have stopped paying this council and started to pay their account in their own account, this issue is in court, which than makes it difficult to estimate figures involved, and as such amounts are accumulating in the debtors book.

This council has made a provision of about 41% of its consumer debtors, it is hoped that the new initiatives where the council hopes to write off 33% of the dept should the debtor pays a third and makes arrangements to pay the other third will drastically reduce the total debt owed by the consumers in the 2007/2008 financial year.

Lastly it should be noted that indigent debtors supplied to this municipality by the then service providers was outdated and at times proved to be incorrect, thus built in the debtors could be the indigent consumers who will be identified and be written back against indigent when the data base is finished in 2007/2008.

It is recommended that;

1. Council formulates a policy for making provision for doubtful debts
2. The credit control function be outsourced to the dedicated firm which specialize in debt collection should resources within the municipality are inadequate to can deal with debtors.
3. Indigent consumers be properly catered for during budget period and necessary monitoring mechanism be put in place to check and monitor the ever changing status of indigency.

### 10. Revenue Income

This issue was discussed with the Auditor General, the contrary could also be true, it is submitted that budget only recognizes the billable customers who were taken over from the locals as per their history in terms of their data base, no study

has been conducted to validate the claim made in report, this suggests that the opposite can also be true, there could be a very small number of customers who are not in the system.

It is true that there are some meters which are not working and as such the reading remain constant, in these instances, when the meter is changed the consumer is billed on average consumption for the month(s) in which it was not operational.

It is recommended that:

1. Data verification and data upgrade process be undertaken
2. Administrative issues raised in the report be dealt with by management as a matter of urgency to ensure completeness of information in the filing system.

#### 10.2 Interest on overdue accounts

Samiras system does not calculate interest on interest, therefore the basis used to calculate interest as per the Auditor General's report is not necessarily correct. This issue was discussed by Mrs. Vather and Mr. Koortzen.

It is recommended that:

1. Interest calculation be done as per the credit control policy

#### 12. It should be noted that the CFO's report in the financial statements does elaborate on this issue, it also be noted that the provincial government is assisting this municipality through the outgoing MAP programme.

Financial problems facing this municipality are not all as a result of its making, the major part are contributed by either the legislative changes which is not accompanied by relevant funding mechanism, e.g. the transfer of water function with no reserves to fund the dilapidated infrastructure, but instead additional water related loans, the results of demarcation processes which left the profitable Ingagane out of the Uthukela boundaries and left the Limehill complex loan with no revenue base but only the liabilities, the ever rising unemployment rate which affects our projected Income streams negatively etc.

It is recommended that:

1. Council engages National Treasury and DPLG on this issue.
2. A strict adherence to the in house recovery plan as per Map or alterations to suite the changing needs.
3. Debtors be dealt with as per above(Par 9.1)

**Other Matters**

**13 Non-compliance with applicable legislation.**

**No formal Risk management policy**

**It is recommended that:**

1. Council considers to formalize the risk management policy

**Bank Overdraft**

Since the municipality is experiencing going concern problems as stated above, it is therefore expected it will experience cash flow difficulties, council should determine the "the prescribed time" as required by the act, so that management can be able to report that in future.

**It is recommended that:**

1. The council determines that continuous three months be the prescribed time for reporting.

**14. Matters of Governance**

In the first audit committee the audit committee considered the audit plan and the audit charter. It is recommended that:

1. Management be instructed to furnish Auditor General with the two mentioned documents.
2. It be noted that the audit committee was appointed during the financial year in question and could only sit to consider the previous years audit report.

**15. Material corrections made to the financial statements**

It is recommended that,

1. Correction made be noted

**17. Investigation in progress**

It is recommended that:

1. It be noted that NPA is still in progress with the investigations.

### **Other Reporting Responsibilities**

#### **No reporting of performance information**

The annual report is in the process of being compiled and in terms of Section 121(1) of the Municipal Finance Management Act (Act 56 of 2003) a municipality has nine months to compile an annual report, which would put the deadline as end of March 2008.

It is recommended that,

The annual report has been submitted to council for consideration.

#### **Existing and functioning of a performance audit committee**

The financial and performance audit committee has been merged.

#### **Internal Auditing of performance measurements**

The 2006/2007 performance assessments were done at the hands supporting documentation provided to the Municipal Manager and Mayor for verification.

Council resolved to combine the Audit committee and the Performance Audit Committee.

The KPIs for PMS were not aligned with the KPIs as per the IDP as required by the PMS framework and IDP.

This is a broad brush statement that ignores the alignment that has taken place, such as the MIG projects within the Technical Department, and initiatives such as the District Growth and Development Summit (LED/Integration) and youth and sport development, to name just a few, which are in the PMS.

In terms of Section 43(2) of the MSA, the general national KPIs must be included in the Municipalities PMS. However, the municipality did not assess itself on National KPIs as required by the PMS Framework.

The annual report is in the process of being compiled and in terms of Section 121(1) of the Municipal Finance Management Act (Act 56 of 2003) a municipality has nine months to compile an annual report, which would put the deadline as end of March 2008. The assessment at the hands of National KPIs will form part of this report.

In terms of Section 42 of the MSA, the municipality must involve the local



community in development, implementation and review of municipality's performance management system, and in particular allow the community to participate in setting the appropriate KPIs and performance targets for the municipality. However, there was no evidence that the municipality did involve the community in setting KPIs for the PMS.

KPIs were derived from the IDP, which has a very strong public participation process. Targets were set by Management, based upon financial and human resources.

In terms of Section 41(e) of MSA, the municipality must establish a process of regular reporting of performance to the council, political structures, other political office bearer, municipal staff, public and other organs of state. However, the municipality did not issue any monthly, quarterly or annual performance reports as a means of creating regular reporting to the afore-said persons.

Due to staff constraints, no quarterly reporting did take place. The annual report is in the process of being compiled and in terms of Section 121(1) of the Municipal Finance Management Act (Act 56 of 2003) a municipality has nine months to compile an annual report, which would put the deadline as end of March 2008.

Recommendations :

The committee recommends that the above recommendations be adopted by the council.

Compiled by :

C.I. Narrandes ( Chairperson ) on behalf of the Audit Committee



This Annual Report for the 2006/2007 financial year was produced by the uThukela District Municipality, Department Strategic Planning and Economic Development

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