

Compiled By  
Office of the Municipal Manager  
Addresses  
Postal address:  
P O Box 3235  
Pietermaritzburg  
3200

Head Office physical address:  
242 Langalibalele Street  
Pietermaritzburg  
3201  
Tel 033 897 6700  
Technical Services and IT physical address:  
176 Langalibalele Street  
Pietermaritzburg  
3201  
Tel 033 897 6700

For further copies or information on the  
content of this Report please contact:  
Mr. Mondli Chiliza  
Manager: Communications and Marketing

Tel: 033 897 6700  
Fax: 033 342 5502  
E-mail: [info@uMDM.gov.za](mailto:info@uMDM.gov.za)  
Website: [www.umdmd.gov.za](http://www.umdmd.gov.za)



**uMGUNGUNDOVU**  
UMASIPALA WESIFUNDA  
DISTRICT MUNICIPALITY  
DISTRICT MUNISIPALITEIT


### Our Vision

uMgungundlovu District Municipality will evolve into a dynamic Metropolitan area, spreading its vibrant economic benefits to all its citizens and places and will, through concerted integrated development and service delivery, realize improvements in the overall quality of life

### Our Mission

The uMgungundlovu District Municipality will through sound governance and community participation ensure the provision of equitable and sustainable services and economic growth

*Sharing a common vision with you*





## CHAPTER 1: INTRODUCTION AND OVERVIEW

### 1.1 MAYOR'S FOREWORD

Honourable Speaker  
 Honourable Members of Council  
 Executive Committee  
 Municipal Manager  
 District Municipality Officials  
 All protocols observed

It gives me pleasure to present the 2007/ 2008 Annual Report of the uMgungundlovu District Municipality.

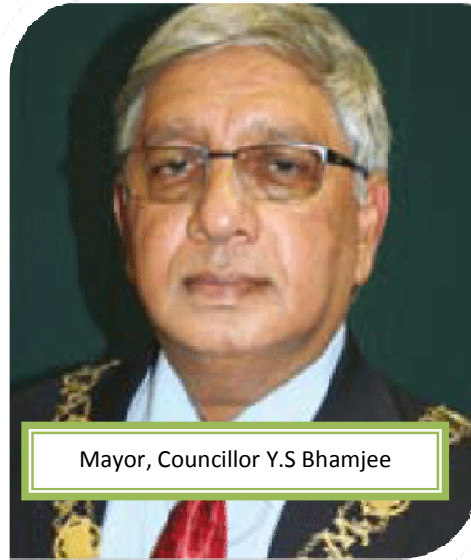
The year under review was a challenging one with the redeployment of councillors and the appointment of a new Mayor, Deputy Mayor and members of the Executive Committee. By the end of the reporting period the new political structures were operating smoothly with all scheduled meetings having taken place as planned.

A Turn-Around Strategy was developed and it is being implemented on an ongoing basis. The District Municipality is now on a high road to effective and efficient service delivery. This turn-around has seen Councillors taking responsibility for outcomes that will lead to the realisation of our Vision as contained in the Integrated Development Plan.

The Municipal Manager and the Administration are responsible for the achievement of outputs that feed into the outcomes with departmental management

teams reporting progress on their areas of responsibility to their respective Portfolio Committees.

One of the outcomes that has been prioritised is the provision of potable water



Mayor, Councillor Y.S Bhamjee

and acceptable standards of sanitation to

all the people of the District. By the end of the reporting period meaningful progress was being made in this area of delivery and this will continue to be our District Municipality's main area of focus for years to come.

We also introduced steps to move towards a unified Integrated Development Plan for the District with the introduction of a cluster model aimed at aligning all development projects more effectively.

I am also proud to report that a business plan was adopted that will see our family of local municipalities benefiting from the 2010 FIFA World Cup in the form of socio economic upliftment and job creation.

*Y. S. Bhamjee (CLR)*

**Mayor**





## 1.2 THE UMGUNGUNDOLOVU DISTRICT MUNICIPALITY

### District Overview

The District is situated in the Midlands of KwaZulu-Natal, on either side of South Africa’s busiest arterial, the N3 Highway. It is also close to the Port of Durban and to airports.

The District hosts the Provincial Capital, Msunduzi, which is also referred to as the City of Choice. World renowned international sporting events take place annually in and around the District such as the Comrades Marathon, the Dusi Canoe Marathon, Midmar Mile and world championship cycling tournaments.

The Harry Gwala Soccer Stadium is currently being upgraded to meet with FIFA requirements for the 2010 World Cup. It has been identified as a practice venue for one of the high profile participating teams. The District has positioned itself strategically to harness the vast opportunities that emanate from this important event.

The many tourist attractions in the District are guarded over by the majestic Drakensberg Mountains and include arts and craft centres in the famous Midlands Meander, water sport at Albert Falls and Midmar Dams, game reserves, cultural centres and adventure tourism such as white river rafting and bungi jumping. One of the tourist attractions that is fast gaining in popularity is the recently opened Freedom Route that recognises heroes such as Nelson Mandela, the first democratic President of South Africa, Mohandas Gandhi, famous for his Passive Resistance Campaign, Harry Gwala, one of the most famous struggle heroes, Moses Mabhida, a renowned trade unionist and Alan Patan, a liberal political activist and well known author.

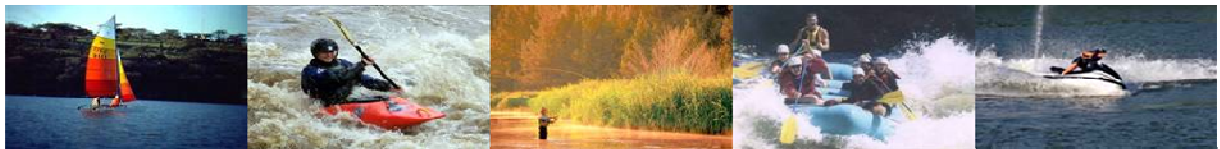


Former President Nelson Mandela at the unveiling of the Nelson Mandela Capture Site



Legendary Harry Gwala - “The Lion of the Midlands”

uMgungundlovu District Municipality Annual Report 2007 .2008



Water related activities may be enjoyed at Midmar Dam Resort, Albert Falls Dam and on rivers like the Dusi and the Mooi River



Home to numerous nature reserves, golf courses and hiking trails and other outdoor adventure activities



Shopping experience and entertainment, the District has a plethora of adult and family venues





### 1.3 OUR FAMILY OF LOCAL MUNICIPALITIES



uMgungundlovu District Municipality Annual Report 2007.2008

#### KZ221: uMshwathi Local Municipality



Based in Wartburg, the almost 2 000 square kilometers, comprising uMshwathi Municipality makes it the largest of the seven municipalities. The area has a strong Germanic influence, dating back some 150 years. Good rainfall, fertile soils and a temperate climate results in the area contributing 40% of the total sugar cane and maize production of uMgungundlovu District Municipality. The Albert Falls Dam, renowned for its excellent bass fishing, offers investment opportunities in tourism, leisure and agriculture, while the nearby Nagle Dam is the ideal venue for canoeing, kayaking and rowing. There are two sugar mills in the region, a cluster of nurseries servicing the timber industry and supplying seedlings to market gardeners and two timber processing plants. There is tea cultivation in the north at Ntingwe.

#### KZ222: uMngeni Local Municipality



With its municipal seat at Howick, which offers a superlative lifestyle (including two country golf courses), uMngeni Municipality presents an impressive mix of manufacturing enterprises, leisure facilities and a burgeoning agricultural sector. The imposing Howick Falls is a major tourism attraction, while the Karkloof Falls is proving increasingly popular. The Midmar Dam, a well developed resort incorporating a game reserve, is an acknowledged drawcard. The area encompasses much of the Midlands Meander, arguably the most popular and successful tourism initiative in South Africa. The area boasts the Cedara Agricultural College, and lends itself to beef and dairy farming, timber production and the cultivation of vegetables.





### KZ223: Mpopana Local Municipality



Mountains and rivers shape the character of this picturesque region. Set against the majestic Drakensberg mountains, the administrative centre is the bustling town of Mooi River. It takes its name from the Mooirivier (pretty river), and Little Mooi tributary, which meander through the region. Once the epicentre of a vibrant textile industry, it has a future focus on the manufacture of quality fabrics by small, medium and micro enterprises. The population/area ratio of six square kilometres is the lowest in uMgungundlovu District Municipality, emphasising the viability of agricultural crops such as maize, wheat, beans, peas and potatoes. Cattle and sheep are farmed extensively, and the area boasts some of South Africa's best racehorse stud farms.

### KZ224: Impendle Local Municipality



The imposing and resolute Impendle Mountain overlooks a large stretch of this area, which borders on the majestic Drakensberg mountain range. The recently proclaimed World Heritage Site of the spectacular Drakensberg-Ukhahlamba Mountain Park underscores the immense potential in the area for ecologically sustainable tourism enterprises— particularly those focused on indigenous rock art, prolific bird life and fly-fishing. Whilst there is minimal manufacturing activity, community based craft endeavours and emerging micro enterprises point to the future. An abundance of water allows for a mixed agricultural economy, while the cold winters in the region indicate opportunities for a deciduous fruit industry.

### KZ225: Msunduzi Local Municipality



Centred on the city of Pietermaritzburg, the provincial capital and seat of uMgungundlovu District Municipality, the area is ideally positioned as a base for manufacturing, particularly aluminium, timber and leather products. The city and its surrounds are serviced by a superlative infrastructure - with extensive road, rail and air networks, first world communications, and Africa's busiest port only 45 minutes away. Quintessentially an African city, its heritage is reflected through world-renowned Victorian and Edwardian architecture, and it is acknowledged as a centre of academic excellence, spearheaded by the University of Natal. A tourism gateway, it is an events city, hosting international sporting highlights such as the Comrades Marathon, Midmar Mile and Duzi Canoe Marathon; and visitor attractions such as the annual Royal Agricultural Show.





### KZ226: Mkhambathini Local Municipality



Renamed Mkhambathini and based in Camperdown, in the south-eastern periphery of uMgungundlovu District Municipality, the area is only 30 minutes from Durban's international airport and Africa's busiest harbour. Agricultural production centres on vegetables grown for local and hinterland fresh produce markets, maize and sugar cane (processed through a mill at Eston). The area features the second highest concentration of poultry producers in the world, supported by a network of service suppliers, as well as pig and beef farming. Tourism is centred on African experiences, with attractions such as the Tala Game Reserve, Nagle Dam and Umgeni Valley.

### KZ227: Richmond Local Municipality



Named the Richmond Council, after the main town in the area, that is synonymous with timber and the manufacture of wood products. In addition to investment opportunities in manufacturing enterprises linked to timber, the area's agricultural activities centre on dairy, citrus, vegetable and sugar cane production. Training of workers in the region has equipped them with specialist skills in agri-processing industries. Tea is cultivated at the Sapekoe Estate and coffee at Shongweni and Assegay. The historic court building and prison in Richmond is a popular visitor attraction, while adventure tourists are drawn to the Umkomaas River, regarded as one of the two best white water venues in Africa.

## 1.4 ECONOMIC GROWTH POTENTIAL

The uMgungundlovu District Municipality has a sophisticated infrastructure with the capital city and seven local municipalities situated in the garden province of South Africa. The District has a competitive edge in various economic sectors and its vision is to become a metropolitan city by 2011. The District has shown a remarkable growth rate over recent years.

The District enjoys a competitive advantage in the field of agriculture as the Spatial Development Plan shows that 83% of the land falls into the high / good and relatively good potential for agriculture. This, coupled with the abundance of water resources in the form of six significant rivers and five major dams puts uMgungundlovu into the county's top bracket for agriculture yield potential.

The 2006 Economic Overview shows that the three biggest contributors to the GDP in the District are:

- 1 Retail and wholesale trade;
- 2 Finance, real estate and business services; and
- 3 Manufacturing.

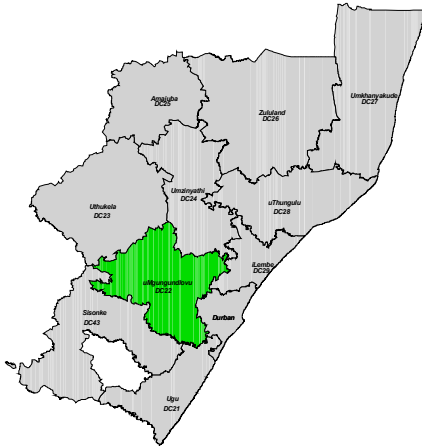
The proximity of the District in relation to the eThekweni-Msunduzi-uMngeni Corridor Development makes it a particularly attractive destination for doing business. This Corridor Development is having a particularly positive impact on the Manufacturing Sector with a major international motor corporation having decided to establish a large plant in the District.





### 1.5 GEOGRAPHIC AND DEMOGRAPHIC PROFILE

#### Location of the District in the Province



The region, uMgungundlovu District Municipality, is located in central KwaZulu-Natal and covers an area of approximately 8,5 thousand square kilometres.

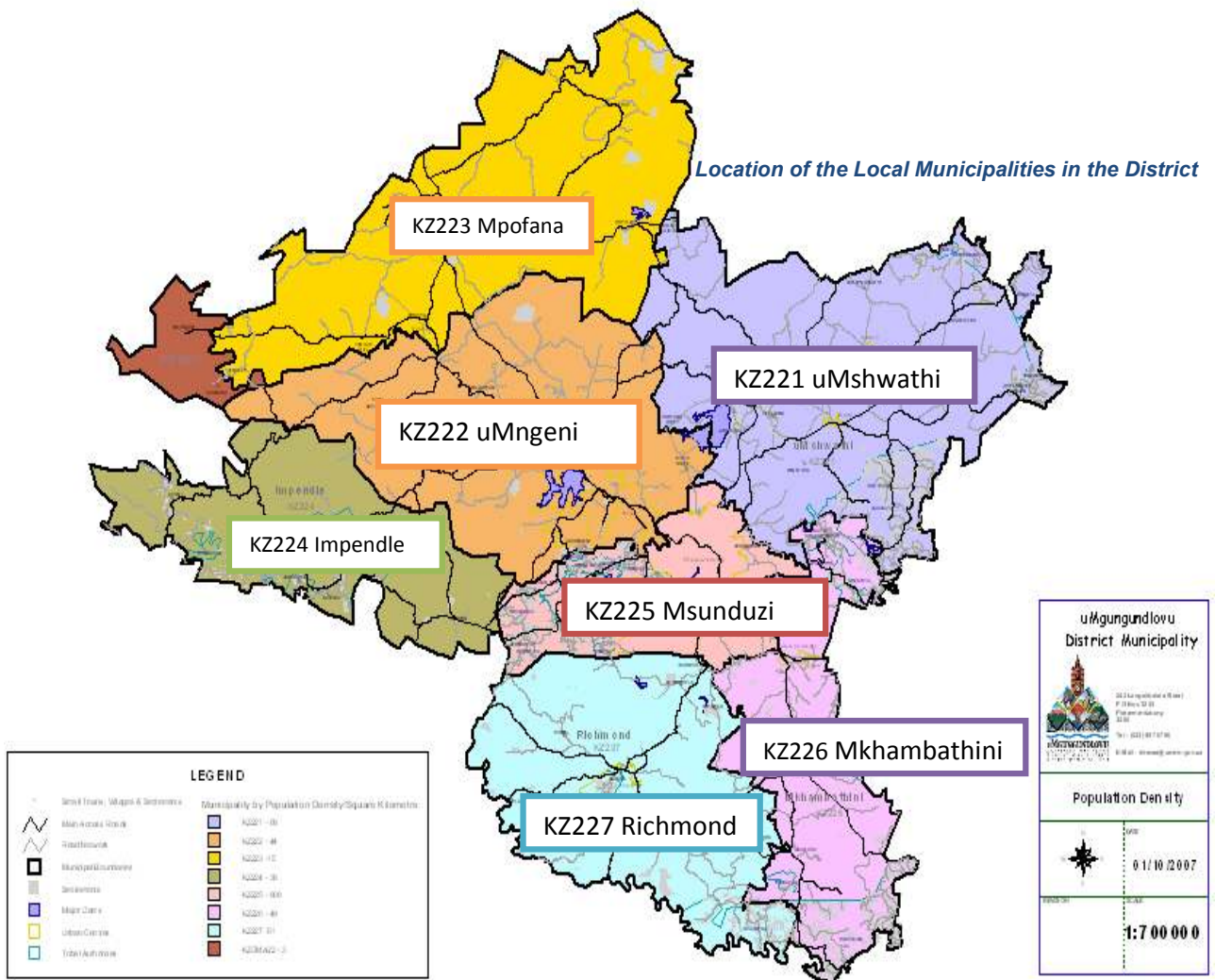
The district is bisected by the busiest highway in South Africa, the N3, that links the country's industrial heartland of Gauteng with the largest port in the southern hemisphere at Durban.

Extremely diverse in terms of topography, climate and soils, the region presents a rich and complex natural environment with numerous resources offering unique development opportunities.

The distribution of the district's population of about 900 000 incorporates habitation in traditional settlements or farmlands through to informal, rural settlement and urban living.

uMgungundlovu District Municipality Annual Report 2007.2008

#### Location of the Local Municipalities in the District

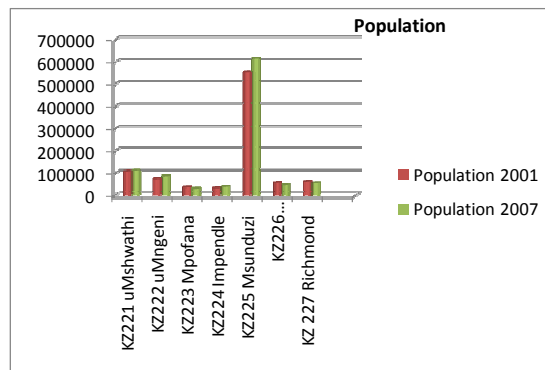
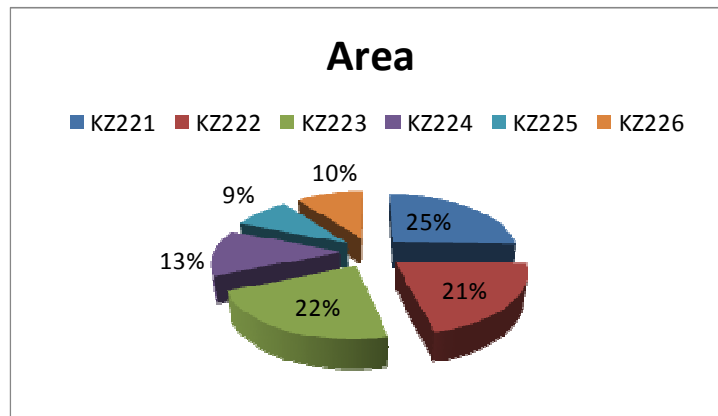




Area, wards, households and population density in the District and Local Municipalities

District and local municipalities	Area	No of Wards	No of households	Population (Census 2001)	Population (Community Survey 2007)
<b>uMgungundlovu</b>	9 189.53	81		927 846	<b>988 837</b>
<b>uMshwathi</b>	1 924.55	11	23 732	108 422	<b>113 054</b>
<b>uMngeni</b>	1 568.30	11	20 849	73 896	<b>84 781</b>
<b>Mpofana</b>	1 679.37	4	9599	36 820	<b>31 518</b>
<b>Impendle</b>	947.90	4	7335	33 569	<b>39 401</b>
<b>Msunduzi</b>	649.79	37	130 385	552 837	<b>616 730</b>
<b>Mkhambathini</b>	766.00	7	12 550	59 067	<b>46 570</b>
<b>Richmond</b>	1 133.62	7	12 537	63 223	<b>56 772</b>
<b>KZDMA22</b>	<b>276.23</b>			<b>12</b>	<b>12</b>

Source: Community Survey 2007 and Statistics SA Census 2001







## 1.6 EXECUTIVE SUMMARY

The vision and mission of the uMgungundlovu District Municipality as contained in the Integrated Development Plan are as follows:

**Our Vision**

uMgungundlovu District Municipality will evolve into a dynamic metropolitan area; spreading its vibrant economic benefits to all its citizens and places and will, through concerted integrated development and service delivery, realise improvement in the overall quality of life

**Our Mission**

The uMgungundlovu District Municipality will through sound governance and community participation ensure the provision of equitable and sustainable services and economic growth.

As can be deduced the District is striving towards achieving the status of a metropolitan municipality that will result in accelerated development for the people of uMgungundlovu. The District has adopted a rigorous performance management system that incorporates a set of high-level outcomes that measure progress towards achieving the vision.

The service delivery priority for the reporting year, and for future years, is the provision of potable water and acceptable levels of sanitation for all the people of the District. This is also the area of service delivery that poses the greatest challenges. Although service level agreements were signed with all the local municipalities, the District is still in the process of establishing the necessary capacity to provide a comprehensive service

Some of the major achievements during the year under review included:

- A Turn-Around Strategy that transformed the organisation from receiving a disclaimer from the Auditor-General to an unqualified audit report for the year under review.
- Successful functioning of the reconstituted political structures with a new Mayor, Deputy Mayor and Executive Committee.
- Development and implementation of a comprehensive Water Services Provision Process Plan.
- Improved intergovernmental relations saw the adoption of a Cluster Model that has vastly improved the alignment of development projects and an exchange of intellectual expertise with a delegation from The Hague.
- The adoption of a 2010 FIFA World Cup Business Plan that is hailed as one of the best of its kind.

In spite of the good progress that was made, the financial state of the Municipality remains a challenge. The statement of financial performance indicates that the Municipality incurred a deficit of R20,6 million and the financial position indicates an accumulated deficit of R6,4 million. The municipality has put plans in place to address the situation. One of the most important initiatives is the billing of all water and sanitation debtors.





## CHAPTER 2: PERFORMANCE HIGHLIGHTS

### 2.1 MAJOR ACHIEVEMENTS FOR THE YEAR

#### 2.1.1 The Turn-around Strategy

The uMgungundlovu District Municipality experienced a remarkable turn-around during the reporting period. It transformed from receiving a disclaimer from the Auditor-General during the previous financial year to having an unqualified audit report for the financial year ending 30 June 2008.

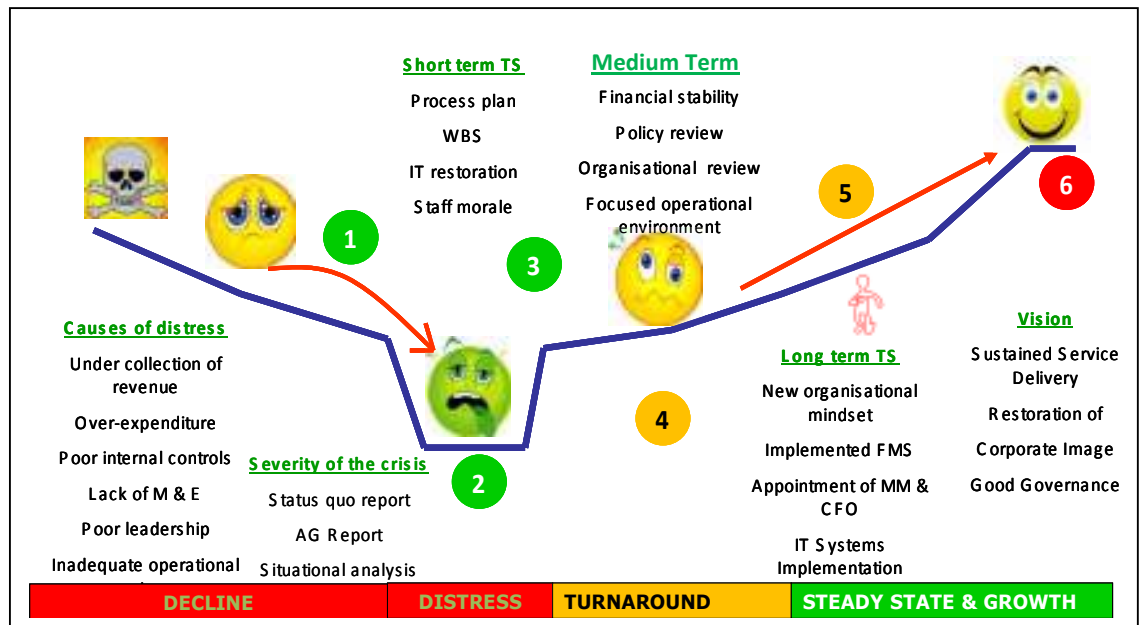
Under the stewardship of the Acting Municipal Manager, Mr TLS Khuzwayo, who assumed duty in February 2008, the District Municipality transformed from being an over spending, under performing institution into a focussed service provider that is striving towards excellence.

The Turn-Around Strategy involved a phased approach as reflected in the diagram below. Although it is a process that was continued into the next financial year the District Municipality had already entered into the last phase of steady growth by the end of the reporting period.



Mr TLS Khuzwayo: Acting Municipal Manager

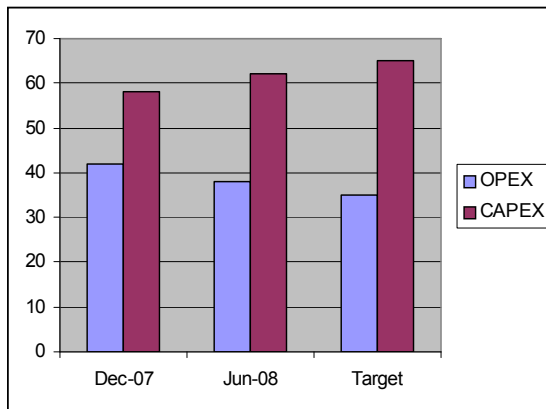
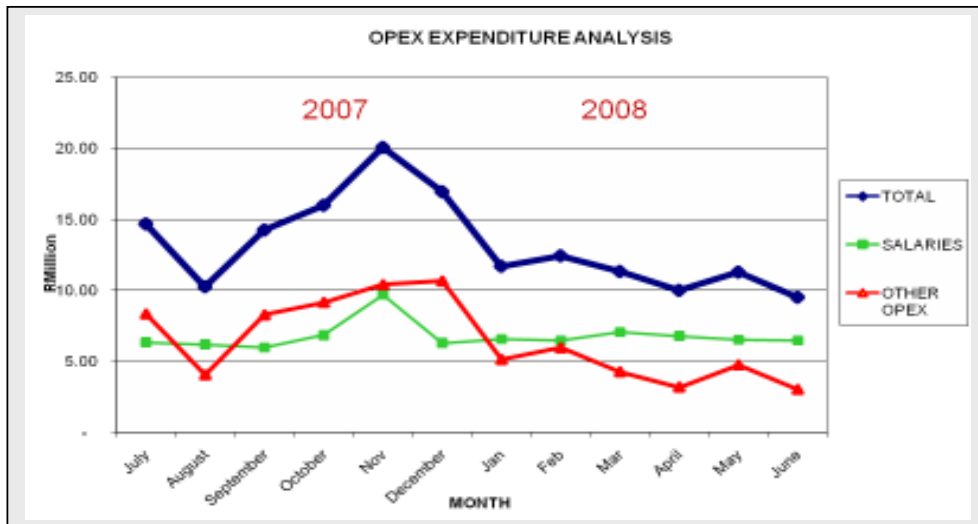
The Phased approach of the Turn-Around





One of the most important ingredients of the Turn-Around Strategy was a Financial Recovery Plan that required strict expenditure control measures. The implementation of the Financial Recovery Plan resulted in expenditure patterns being radically curtailed and the District Municipality spending within its means. Note the downward trend depicted in the graphs below. Some of the steps taken involved a revision of the supply chain management procedures, installing a more effective financial management system and producing GRAP compliant financial statements.

Mr W Muwandi: Acting Chief Financial Officer and driver of the Financial Recovery Plan



The national standard for municipalities to successfully fulfil their development mandates is to implement budgets with a 65%: 35% ratio between capital expenditure (CAPEX) and operational expenditure (OPEX). Note the positive trend reflected in the graph since implementing the Turn-Around Strategy





2.1.2 Reconstituted political structures



*During the year under review the political structures of the uMgungundlovu District Municipality were reconstituted.*

Inauguration of our new Mayors Cllr YS Bhamjee and Deputy Mayor Cllr TT Zondi



**Left to right:** Municipal Manager Mr TLS Khuzwayo, Mayor Cllr YS Bhamjee, MEC for Local Government and Traditional Affairs M Mabuyakhulu, Deputy Mayor Cllr TT Zondi and Speaker Cllr GH Zondi at the inauguration ceremony.



***Newly Constituted Executive Committee***

**Front left to right :** Cllr NBZ Cele, Mayor Cllr YS Bhamjee, (MEC), Deputy Mayor Cllr TT Zondi, Cllr JP Mtolo

**Back left to right :** Cllr P Bhengu, Cllr S Mchunu, Cllr JTR Zuma, Cllr TR Zungu



***Newly appointed Municipal Council of the uMgungundlovu District Municipality***





In terms of Section 79 (1) of the Municipal Structures Act (Act No. 117 of 1998) the uMgungundlovu Municipal Council established five Portfolio Committees, each with its own terms of reference. The Committees assist the Council in performing its functions and they report to the Executive Committee. The composition of the Portfolio Committees are as follows:

Finance	Human Resources and Sound Governance
<i>Cllr. Y.S. Bhamjee:Chairperson</i>	<i>Cllr TR Zungu:Chairperson</i>
<b>Cllr.N.V.Duze</b>	<b>Cllr.M.M.Cekwane</b>
<b>Cllr.M.Inderjit</b>	<b>Cllr.N.V.Duze</b>
<b>Cllr.S.Mchunu</b>	<b>Cllr. S.Gabela</b>
<b>Cllr.V.M.Mncwabe</b>	<b>Cllr.E.ZNtombela</b>
<b>Cllr.D.A.Ndlela</b>	<b>Cllr.D.Ndlovu</b>
<b>Vacant</b>	<b>Cllr.B.E.Zuma</b>
<b>Vacant</b>	<b>Vacant</b>
Infrastructure	Economic Development and Planning
<i>Cllr TR Zuma:Chairperson</i>	<i>Cllr. J.B. Mtolo:Chairperson</i>
<b>Cllr.S.Majola</b>	<b>Cllr.B.A.Dlamini</b>
<b>Cllr.S.D.Mbanjwa</b>	<b>Cllr.R.T.Khanyile</b>
<b>Cllr.A.D.Mbense</b>	<b>Cllr.N.C.Mabhinda</b>
<b>Cllr.B.A.Mchunu</b>	<b>Cllr.D.A.Ndlela</b>
<b>Cllr.M.L.Msimang</b>	<b>Cllr.M.E.Ngcongong</b>
<b>Cllr.T.T.Zondi</b>	<b>Cllr.S.M.Ngubane</b>
<b>Vacant</b>	<b>Cllr.M.M.Nkala</b>
Community Services	
<i>Cllr.N.B.Z. Cele: Chairperson</i>	<b>Cllr.M.E.Madlala</b>
<b>Cllr.N.BAhmed</b>	<b>Cllr.M.P.Mkhize</b>
<b>Cllr.M.S.Bond</b>	<b>Cllr.N.S.Mkhize</b>
<b>Cllr.P.M.Cele</b>	<b>Cllr.R.M.Xaba</b>





### 2.1.3 Intergovernmental Relations

During the year under review the uMgungundlovu District Municipality and The Hague in the Netherlands engaged in discussions aimed at entering into a mutually beneficial twinning arrangement. The strategic focus of this twinning arrangement is to enhance and exchange professional knowledge, technical expertise, management modalities, project sustainability frameworks and best practices on housing policies and projects.

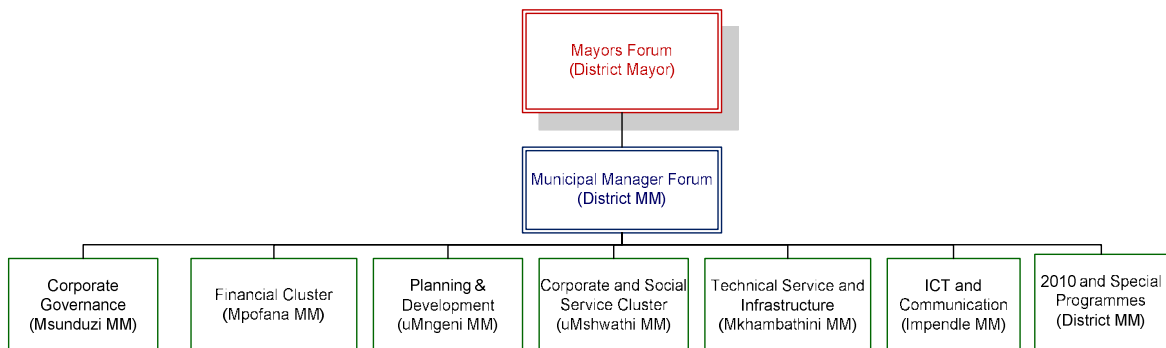


The joint project will be entitled; “Exchange of Intellectual Expertises and Best Practises on Social Housing”. It will focus mainly on the following:

- Development and implementation techniques of the District Housing Policy;
- Technical capabilities including financial management, project management and project packaging; and
- Adopting the best professional management principles for sustainable development projects.

In terms of the Intergovernmental Relations Framework Act (Act No. 13 of 2005) the Mayor’s Forum and the Municipal Manager’s Forum meet once a month. At these meetings it became evident that more needs to be done to achieve effective integrated development within the District. A number of strategic partners were therefore identified who become involved in development initiatives emanating from a suite of Cluster Committees reflected on this page. This Cluster Model has aligned development projects to such an extent that it is envisaged that one single IDP should eventually be adopted for the District. Each of the Cluster Committees is chaired by one of the Municipal Managers in the District.

#### **uMgungundlovu District Municipality Cluster Model**

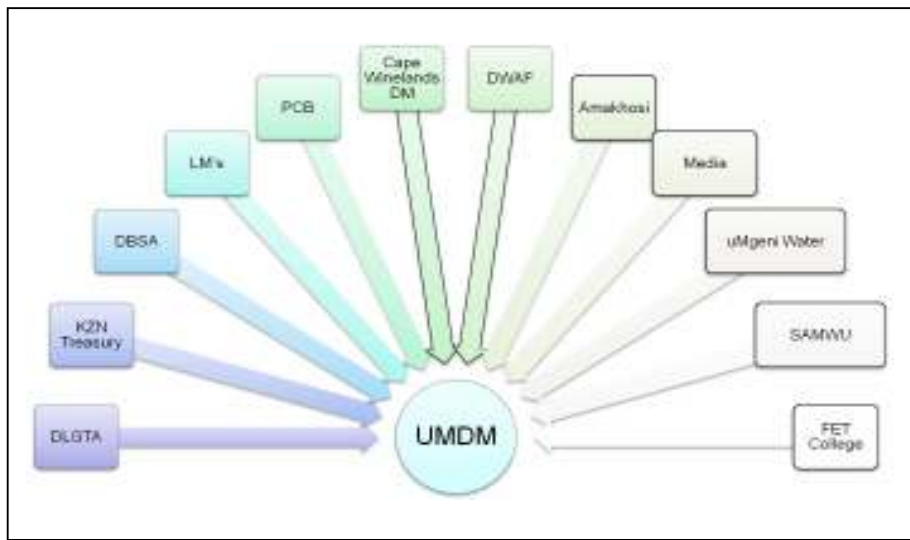




Family of Mayors and Municipal Managers of the uMgungundlovu District Municipality



Introduction of our Mayor and Deputy Mayor to the Amakhosi by the MEC for Local Government and Traditional Affairs Mr. Mike Mabuyahkulu



Strategic Service Delivery Partners

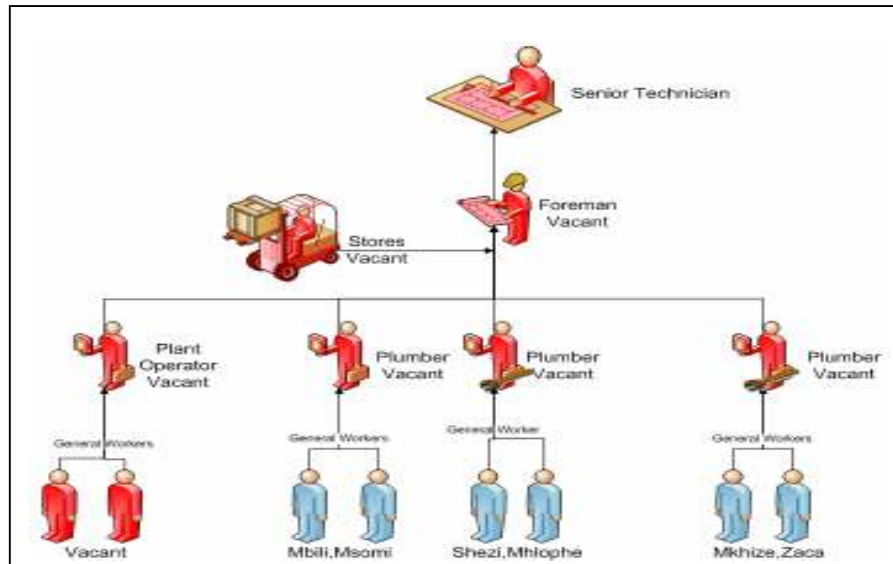




### 2.1.4 Water and Sanitation Services



As the Water Services Authority the District Municipality has prioritised potable water and acceptable levels of sanitation as its most important core function.



Extract out of the Water Services Provision Process Plan for Mkhambathini Local Municipality. This diagram reflects the human capital requirements to provide an effective service. One of the challenges is to source the necessary funding to fill the vacant posts

### Achievements

- Service level agreements signed with all seven local municipalities
- Water Services bylaws published for comments
- Water services staff transferred from local municipalities to the District
- Water Services Provision Intervention Strategy being implemented that reflects:
  - Immediate interventions that are being implemented
  - Short term interventions
  - Medium term interventions
  - Long term interventions







2.1.5 2010 World Cup



**Purpose**

The purpose of this business plan is to contextualise and highlight opportunities from the FIFA 2010 World Cup for the socio economic benefit of the communities within the uMgungundlovu District Municipality.

The business plan provides the framework for positioning the District in partnership with key stakeholders in harnessing opportunities presented by the 2010 FIFA World Cup.

**Opportunities for the uMgungundlovu District**

Maximising socio economic opportunities

UMDM as a base camp and training venue

LEGACY OF FACILITIES, TOURISM ROUTES AND HOLIDAY DESTINATIONS





### 2.1.6 The Oversight Process

For the first time the Council of the uMgungundlovu District Municipality, in terms of section 129 (1) of the Municipal Finance Management Act (Act No. 56 of 2003) adopted an Oversight Report containing comments and recommendations on the 2006 / 2007 Annual Report.

#### Process followed

- An Oversight Committee was appointed consisting of five non-executive Councillors and four members of the community.
- The Non-Executive Councillors that served on the Committee represented all political parties in the Council.
- The Annual Report was placed at strategic points in local municipalities in the District for public comment.
- Consultative meetings were held in three local municipalities and the comments received were recorded and incorporated into the Oversight Report.
- All comments received were considered by the Oversight Committee and formed the basis for its recommendations.
- The Oversight Committee tabled the Oversight Report in Full Council and recommended that:
  - Council, having fully considered the 2006 / 2007 Annual Report, adopts the Oversight Report; and
  - Approves the 2006 / 2007 Annual Report with reservations as contained in the Oversight Report.

**The public comments received during the consultative meetings were fed through to business units for strategies to be developed aimed at improving levels of service delivery**



Oversight Committee Chairperson, Councillor N. V. Duze



Oversight Committee members deliberating on their findings and recommendations





### 2.1.7 Improved Staff Morale

The uMgungundlovu District Municipality acknowledges that one of its greatest assets is its staff. As part of the Turn-around Strategy all staff were involved in a series of change management workshops where they participated and transformed into a motivated and committed team. Now the staff work together enthusiastically in teams and participate willingly in the arrangement of functions.



**Left:** Mayor, Cllr Y. S. Bhamjee and Ms Gabi Gumbi-Masilela, Head of the Department of Local Government and Traditional Affairs arriving at a Gala Dinner

**Below:** Also at the Gala Dinner are from left to right Mondli Chiliza, Thandiwe Zuma, Olga Zondi and Acting Municipal Manager, Sibusiso Khuzwayo



**Above:** Tucking in at an office braai for the staff



**Above:** The 2010 Indaba Task Team from left to right Mduduzi Nxumalo, Olga Zondi and the 2010 crew

**Left:** Staff take a break and go hiking in the Drakensberg.





## 2.2 SERVICE DELIVERY CHALLENGES AND IMPROVEMENT STRATEGIES

Meeting unlimited needs with limited resources remains the District Municipality's greatest challenge. Having achieved an unqualified audit report for the 2007 / 2008 financial year the District Municipality has earned a reputation of being a credible organisation and as such will leverage and source more funding for development projects. Where funding remains a challenge, however, the District has adopted the following approach:

### DOING THE BEST WE CAN WITH WHAT WE HAVE

“Doing” – because only that way will make things happen

“the best” – because nothing less will do

“we can” – because “yes, we can!”

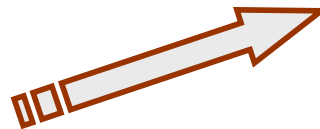
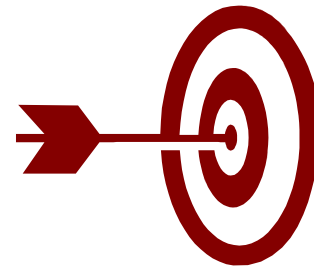
“with what we have” – because we will be innovative and creative in using our resources

### *From compliance to excellence*

In the Turn-Around of the uMgungundlovu District Municipality the first major milestone was achieved with an unqualified audit report.

Getting it right every time

with happy customers



**Unqualified Audit Report for 2007 / 2008**

Now the organisation will systematically strive towards becoming a recognised leader in service delivery where customers are consulted and their service needs are exceeded.





**2.3 LEGISLATIVE MANDATES AND SERVICES NOT PROVIDED**

The legislative mandates exercised by the District Municipality and the functions not yet provided in terms of Section 84 (1) of the Municipal Structures Act (Act No 117 of 1998) are reflected in the following table:

Legislative mandates	District functions not yet provided
<ul style="list-style-type: none"> <li>• <b>Constitution of the Republic of South Africa (Act No. 107 of 1997)</b></li> <li>• <b>Municipal Structures Act (Act No. 117 of 1998)</b></li> <li>• <b>Municipal Systems Act (Act No. 32 of 2000)</b></li> <li>• <b>Municipal Finance Management Act (Act No. 56 of 2004)</b></li> <li>• <b>Water Services Act (Act No. 108 of 1997)</b></li> <li>• <b>National Water Act (Act No. 39 of 1998)</b></li> <li>• <b>Basic Conditions of Employment Act (Act No 137 of 1993)</b></li> <li>• <b>Intergovernmental Framework Act (Act No. 13 of 2005)</b></li> <li>• <b>Local Government: Municipal Planning and Performance Management Regulations</b></li> <li>• <b>Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager</b></li> <li>• <b>Municipal Supply Chain Management Regulations</b></li> <li>• <b>Batho Pele White Paper on the Transformation of Service Delivery</b></li> <li>• <b>White Paper on Local Government</b></li> </ul>	<ul style="list-style-type: none"> <li>• Municipal airport services</li> <li>• Municipal health services</li> <li>• Fire fighting services in Msunduzi Local Municipality</li> <li>• Fresh produce markets and abattoirs</li> </ul> <div data-bbox="852 730 1307 1066" style="text-align: center;"> </div> <div data-bbox="873 1096 1307 1411" style="border: 1px solid black; padding: 5px;"> <p>The Little Mooi River provides water for Mpofana Local Municipality and the Msunduzi – eThekweni economies. The District monitors the water quality in watercourses such as this in terms of the Water Services Act (Act No. 108 of 1997)</p> </div>



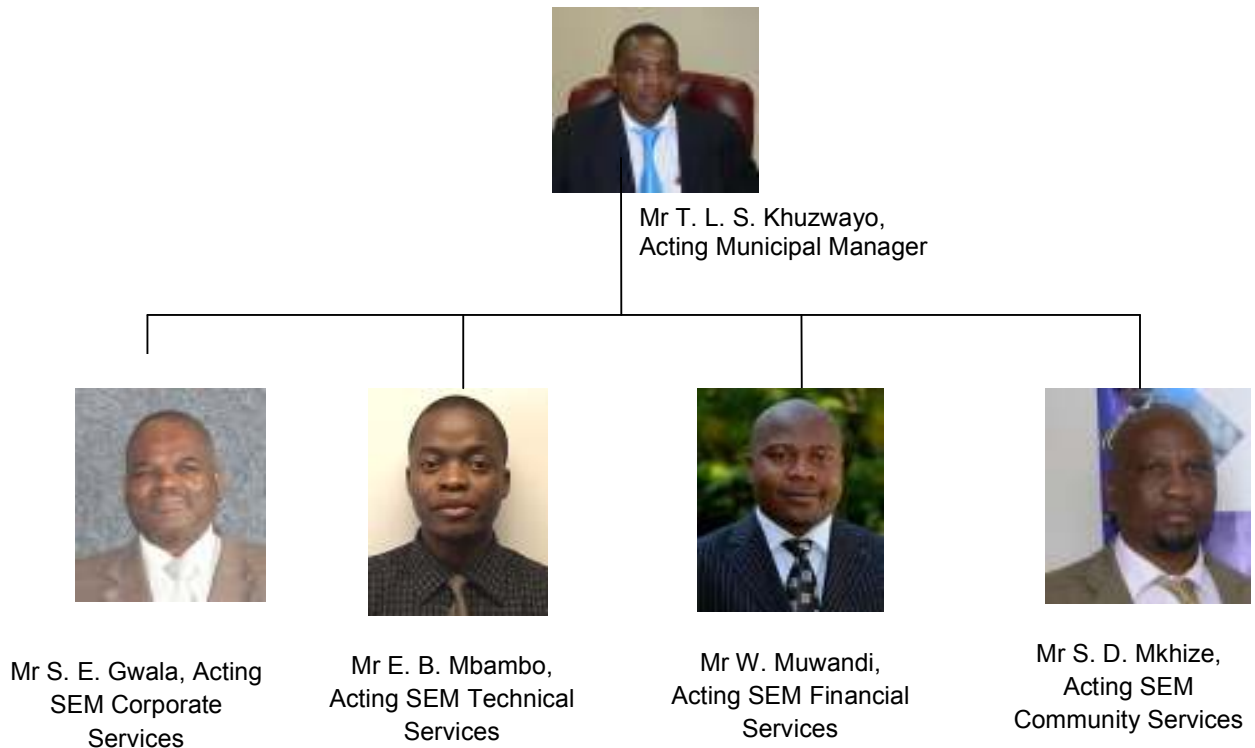


**CHAPTER 3: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT**

**3.1 FUNCTIONAL AND ORGANISATIONAL STRUCTURE**

Show the institutional framework that was in place during the financial year ending 30 June 2008 is reflected below:

- a) High-level organisational structure



- b) Organisational arrangements

The management team reflected above constitutes the Management Committee of the uMgungundlovu District Municipality. The heads of department, who hold the designation of Strategic Executive Manager (SEM), report to the Municipal Manager who in turn reports to the Mayor.

The Mayor chairs the Executive Committee and each of the Portfolio Committees reflected on section 2.1.2 is chaired by an Executive Councillor. Each Portfolio Committee meets with the relevant Department on a monthly basis where it considers a Performance Report that reflects progress in achieving the planned outcomes, outputs and inputs for the year in each functional area. These Reports are then consolidated into a Quarterly Municipal Performance Report that is submitted to Council via the Executive Committee.





## c) List of the functions assigned to Departments

No	Functions
<b>1. Office of the Municipal Manager</b>	
1.1	Water Services Authority (the Water Regulator)
1.2	Internal Audit
1.3	Mayoral support via the Mayor' Parlour
1.4	Performance management / Monitoring and evaluation
<b>2. Department of Technical Services</b>	
2.1	Water and sanitation provision
2.2	Roads and storm water construction and maintenance
2.3	Electricity grid network installation
2.4	Cemeteries and crematoria management
2.5	Solid waste management
2.6	Construction of sport and recreation facilities
2.7	Management support through the Project Management Unit
<b>3. Department of Community Services</b>	
3.1	Economic development services
3.1.1	Local economic development
3.1.2	Tourism development and promotion
3.2	Social development services





3.2.1	Disaster management services
3.2.2	Fire and emergency services
3.2.3	Environmental health services
3.3	Development Planning
3.3.1	Town and regional planning
3.3.2	Geographic information services
3.3.3	Planning and information management support
<b>4. Department of Financial Services</b>	
4.1	Budgeting and reporting
4.2	Expenditure control
4.3	Income control
4.4	Supply chain management
<b>5. Department of Corporate Services</b>	
5.1	Human resource management
5.2	Administration and sound governance
5.3	Information and communications technology







### 3.2 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

#### a) Skills development

The following training interventions were implemented during the reporting period aimed at improving the skills levels of staff:

No	Training interventions
1.	VIP payroll
2.	Corporate tax year end (SARS requirements)
3.	Fire prevention Call Centre training
4.	Computer literacy
5.	Committee and meeting management
6.	Report writing
7.	Integrated Development Plan training
8.	Management and leadership development

#### b) Policy development and implementation

By the end of the reporting period the state of the District Municipality's policies in general remained a challenge that needed to be addressed and has therefore been prioritised for urgent attention during the following financial year. The most urgent need is in the field of human resources policies. In spite of this challenge, the following important documents in the form of strategies, policies and plans were adopted that were aimed at streamlining business processes:





No	Strategies, polices and plans developed and implemented
1.	Turn-Around Strategy and Action Plan
2.	Financial Recovery Plan
3.	Water Services Provision Intervention Strategy
4.	Water Services Bylaws published for comment
5.	Free Basic Water for Indigent People
6.	Supply Chain Management
7.	Fleet Management
8.	Communications Strategy
9.	Performance Management
10.	Tourism Strategy and Marketing Plan
11.	A suite of economic development policies, strategies and plans

### 3.3 HUMAN RESOURCE STATISTICS

#### a) Number of staff employed per organisational component and function

<i>Organisational component / function</i>	<i>Filled posts</i>	<i>No of vacant posts</i>
<b>Office of the Municipal Manager</b>		
• Mayor's Parlour	9	6
• Water Services Authority	139	
• Internal Audit	9	8





• Performance Management	1	0
• Legal Services and Policy Development	7	5
<b>Department of Community Services</b>		
• Disaster Management	49	19
• Fire and Emergency Services	122	5
• Environmental Health	50	50
• Local Economic Development	23	20
• Tourism Development	7	6
• Town and Regional Planning	6	5
• Geographic Information Services	7	7
• Special Projects	36	26
• Planning and Implementation Management Support	12	10
<b>Department of Technical Services</b>		
• Infrastructure and Public Works	11	8
• Essential Services and Functions	12	2
<b>Department of Financial Services</b>		
• Budgeting and Reporting	16	3
• Income Control	48	14
• Expenditure Control	8	6
• Supply Chain Management	11	5

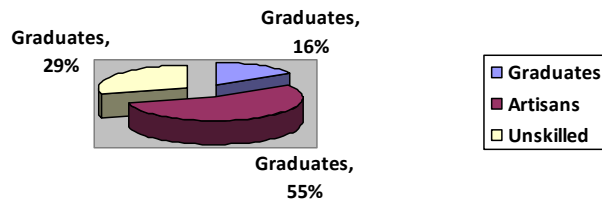




Department of Corporate Services		
• Administration and Sound Governance	54	12
• Human Resource Management	20	14

b) Skills or levels of education attained

Number of staff employed that are:			
Graduates	Artisans	Unskilled	Total
65	226	120	411



c) Personnel expenditure over the last three years

Criteria	2005 / 2006	2006 / 2007	2007 /2008
Personnel budget	R58 786 869	R56 812 306	R74 447 739

d) Pension and medical aid scheme membership

Employee membership of pension schemes				
Natal Joint Municipal Pension Fund	Natal Joint Municipal Provident Fund	Natal Joint Municipal Retirement Fund	Government Employees Pension fund	Total
172	49	30	10	261





Employee membership of medical aid schemes						
Keyhealth	SAMWUMED	LA Health	FED Health	BONITAS	Hosmed	Total
57	39	35	2	39	3	175

e) Monies owed by staff and Councillors

Owed by staff	Owed by Councillors	Total
R89 357.00	Nil	R89 357.00

f) Employment status

Permanent employees	Contract employees	Section 57 employees	Learnerships and interns	Temporary employees	Total
299	107	1	4	0	411

g) Demographic profile of employees

Occupational level	Female				Male				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Section 57	0	0	0	0	5	0	0	0	5
Middle management	7	0	1	0	13	0	1	2	24
Other staff	122	4	9	7	232	6	22	9	411
Total	129	4	10	7	250	6	23	11	440





## h) Skills development

Bursaries allocated								Total
External				Internal				
African	Coloured	Indian	White	African	Coloured	Indian	White	
21	-	-	-	29	1	1	-	52
10 Males and 11 Females				16 Males and 15 Females				

Number of learnerships entered into			
Local Municipality	Female	Male	Total
Msunduzi	Nil	Nil	Nil
uMngeni	Nil	Nil	Nil
uMshwathi	Nil	Nil	Nil
Impendle	Nil	Nil	Nil
Mkhambathini	Nil	Nil	Nil
Mpofana	Nil	Nil	Nil
Richmond	Nil	Nil	Nil

**Note:** Financial constraints was the reason for not entering into any new learnerships for the year under review. The District Municipality did, however, honour all its commitments in respect of learnerships entered into during previous years and which were at various stages of completion.



## i) Disclosures concerning remuneration of political office bearers and Section 57 managers

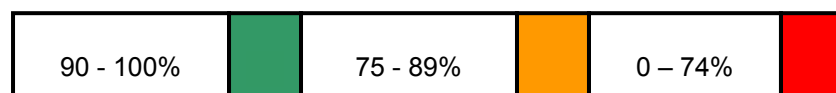
Mayor, Executive Councillors and S 57 managers	Salaries and wages		Contributions				Allowances		Housing benefits	Loans and advances	Other benefits & allowances
	Normal	Overtime	Pensions	Medical Aid	Other	Travel & motor car	Accommodation	Subsistence			
<b>Mayor</b>	460 943	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Deputy Mayor</b>	446 072	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Speaker</b>	387 758	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Whip</b>	299 630	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Councillors</b>	2 478 922	Nil	573 956	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Municipal Manager</b>	971 550	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Chief Financial Officer</b>	750 000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Strategic Executive Manager: Corporate Services</b>	730 065	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## CHAPTER 4: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

### 4.1 PERFORMANCE AGAINST IDP TARGETS

All business units made inputs into the IDP and communities were consulted on these inputs through the IDP structures. The planned IDP deliverables were then incorporated into the Service Delivery and Budget Implementation Plans (SDBIPs), which serve as a contract between the Administration, Council and the Communities expressing these deliverables as quantifiable outcomes and outputs. The SDBIP provides the basis for measuring and reporting performance in service delivery and the result of this process is set out below.

Rating scale for completion of planned outputs



#### 4.1.1 Office of the Municipal Manager

##### 4.1.1.1 WATER SERVICES AUTHORITY

Key Performance Area: Basic service delivery		
Planned outcome: Water and sanitation services administered and regulated		
Planned outputs	Completed	Challenges and / or planned improvements
<b>Access to water and sanitation services</b>		
1. Completion of the WSDP review by June 2008	25%	Late appointment of consultants.



2. Institutional arrangements for meeting 2010 national targets in place by 30 June 08	50%	Engineers deployed by the Development Bank of South Africa
3. 55% of households with access to water by 30 June 08	Nil	The Water Services Development Plan is currently being reviewed and the baseline surveys will indicate to what extent these backlogs are being eradicated
4. 46% of households with access to sanitation by 30 June 08	Nil	
5. 64% of the Municipality's capital budget spent on water and sanitation capital projects by 30 June 08	100%	There has been an improvement in capital budget expenditure. A database of consultants for projects is being implemented to fast track appointments

## 4.1.1.2 INTERNAL AUDIT

## Key Performance Area: Good governance and public participation

Planned outcome: Compliance with all legal prescripts

Planned outputs	Completed	Challenges and / or planned improvements
1. Final regulatory audit reports submitted to the Audit Committee by 30 June 08	50%	An Audit Programme was not compiled due to capacity constraints which also resulted in only one report being



		submitted to the Audit Committee
2. Quarterly performance audit reports submitted to the Audit Committee	Nil	Capacity constraints resulted in no performance auditing being done

4.1.1.3 PERFORMANCE MANAGEMENT

**Key Performance Area: Good governance and public participation**

**Planned outcome:** Improved overall performance

Planned outputs	Completed	Challenges and / or planned improvements
1. Organisational PMS implemented by 30 June 2008	100%	Performance reporting to Council needed to be made more effective
2. Implemented Individual PMS for Section 57 employees by 30 June 08	50%	Performance Agreements for Section 57 employees and Individual Performance Plans for all managers were developed, but no individual performance evaluations took place.



3. Team based non-monitory Service Excellence Awards Scheme implemented by 30 June 08	<b>10%</b>	A Business Plan was developed, but funding is required for the implementation of this project.
---	------------	--

4.1.2 Department of Community Services

4.1.2.1 LOCAL ECONOMIC DEVELOPMENT

Key Performance Area: Local economic development		
<b>Planned outcome:</b> An enabling environment created for local economic development within the District		
Planned outputs	Completed	Challenges and / or planned improvements
1. A Council approved SMME and Development Plan by 30 November 2007	<b>100%</b>	The strategies, policies and plans for promoting local economic development in the District are now in place. The challenge is now to source sufficient funding for their implementation.
2. Final nationally approved BBBEE Charter strategies approved as per the national timeframes	<b>100%</b>	
3. A KZN Cabinet approved Dube Trade Port Agrizone Framework Plan by 30th September 2007	<b>100%</b>	



4. A Council adopted District-Wide Investment Incentive Policy Framework by 30 June 2008	100%	
5. A Council adopted District-Wide Informal Economy Policy Framework by 30 June 2008	100%	
6. Effective implementation of Gijima KZN approved Projects in line with their respective project plans	100%	
7. Seven Local Municipal Councils approved LED Strategic Plans by 30-Jun-07	100%	

4.1.2.2 TOURISM DEVELOPMENT

**Key Performance Area: Local economic development**

**Planned outcome:** Increased number of tourists attracted to the District

Planned outputs	Completed	Challenges and / or planned improvements
1. An adopted tourism strategy by 30 June 2008	100%	Lack of resources to implement the strategy

2. A Marketing Plan developed and adopted by 30 June 2008	100%	An increased budget is required to implement the Plan
3. Develop a Tourism Website for the District by 30 Nov 2008	Nil	Lack of resources
4. Participate in four trade and consumer shows as per schedule	100%	Successful attendance of all scheduled consumer shows took place
5. Establish and promote tourism associations in seven local municipalities	100%	All local municipalities have tourism association, but they require financial support from the District for them to function effectively.

4.1.2.3 DISASTER MANAGEMENT

**Key Performance Area: Social development services**

**Planned outcome:** Risk of disasters reduced and effective action taken during disasters

Planned outputs	Completed	Challenges and / or planned improvements
1. Institutional capacity in place by 30 June 08	30%	<ul style="list-style-type: none"> <li>36 Call Operators were employed and they now require training</li> </ul>



		<ul style="list-style-type: none"><li>• The call centre needs a revamp to accommodate three functions - water services, fire services and disaster management</li><li>• A lack of sufficient funding is hampering progress with the connection of the backup generator and the installation of relevant software.</li></ul>
2. Conduct risk and vulnerability assessments by 30 June 08	28%	<ul style="list-style-type: none"><li>• Only 2 local municipalities developed disaster management plans.</li><li>• A successful assessment was conducted in schools and clinics.</li><li>• Municipal mitigation task teams have been established.</li><li>• A lack of resources hampered progress.</li></ul>
3. Reduction of risk achieved by 30 June 08	40%	<ul style="list-style-type: none"><li>• Contingency Plans for all events were put in place with the participation of all stakeholders.</li><li>• Local municipalities are unable to develop disaster management plans due to a lack of funding.</li></ul>
4. Disaster response, relief and recovery procedures improved by 30 June 07	8%	The ability to respond effectively is dependent on the availability of resources and the resources available to the Unit diminished during the year under review.
5. Full participation in Community Safety Forums,	Nil	No facilitation of any programmes was conducted due to



Community Policing Forums and crime prevention strategies throughout the year		shortage of funds.
---	--	--------------------

4.1.2.4 FIRE AND EMERGENCY SERVICES

**Key Performance Area: Social development services**

**Planned outcome:** Fires and emergencies dealt with effectively and efficiently

Planned outputs	Completed	Challenges and / or planned improvements
1. Community awareness programme implemented by 30 June 08	60%	Limited funding has resulted in: <ul style="list-style-type: none"> <li>• Flyers and pamphlets not being distributed;</li> <li>• Schools not being visited due to the cost of travelling; and</li> <li>• Not being able to buy airtime on radio to promote community awareness.</li> </ul>
2. Preparation for the construction of one fire station completed by 30 June 08	Nil	<ul style="list-style-type: none"> <li>• A suitable site for a fire station in Impendle was identified</li> <li>• Reports were submitted in an effort to secure funding for the construction of the fire station</li> </ul>

3. Area survey completed and measurement conducted according the SANS 10090 by 30 June 08	60 %	The survey identified the shortfalls and funding is now required to address them
4. Quick response and competent actions taken in dealing with fires and emergency incidents each time they arise	80%	A shortage of fire engines and breakdowns cause delays in response times.
5. Fire hazards in the District reduced by 30 June 08	60%	<ul style="list-style-type: none"> <li>• Shortage of manpower and funding pose the main challenges in implementing the Fire Awareness Campaign.</li> <li>• Pre-plans are not completed due to a shortage of fire equipment.</li> </ul>

4.1.2.5 ENVIRONMENTAL HEATH

<b>Key Performance Area: Social development services</b>		
<b>Planned outcome:</b> Improved state of environmental health in the District		
<b>Planned outputs</b>	<b>Completed</b>	<b>Challenges and / or planned improvements</b>
1. Environmental Heath function taken over by 30 June 2008	Nil	This function was not taken over due to a lack of funding



4.1.2.6 TOWN AND REGIONAL PLANNING

**Key Performance Area: Local economic development**

**Planned outcome:** Spatial Development Framework informs all land development projects

Planned outputs	Completed	Challenges and / or planned improvements
1. Review of the District SDF completed by 30 June 07	100%	none
2. Review of the District Integrated Environmental Management Plan by December 08	Nil	No funding allocated
3. All new housing developments in all LM suitably located and aligned to the District SDF and the Land Assessment for Housing Development Study.	50%	It should be noted that alignment is an on-going activity
4. All developments / projects resulting from land reform in line with Area Based Plans.	Nil	The Area Based Plan has not been finalised by the Department of Land Affairs

## 4.1.2.7 GEOGRAPHIC INFORMATION SYSTEM

## Key Performance Area: Local economic development

Planned outcome: Accurate spatial information used for decision making

Planned outputs	Completed	Challenges and / or planned improvements
1. Hardware and Software System Installed, Configured and Operational	20%	Hardware and software was acquired. Absence of a GIS Officer has brought this project to a halt
2. Databases designed and setup up for updating and capture.	70%	Identified spatial data updates were collated. GIS Officer resigned
3. Integrated into District's Network for Accessibility and operations	70%	
4. Successful Installation and Training of various GIS desktop software applications	Nil	GIS Network Server is required. GIS Officer resigned
5. Successful server based Installation, training on use of Internet based GIS	Nil	GIS Network Server is required. GIS Officer resigned
6. Provide report on Business process and Interdepartmental data documentation	Nil	

7. Develop sustainable scalable corporate GIS database (Geodatabase)	Nil	
8. Populate 9.2 ver geodatabase with updated Metadata	Nil	

#### 4.1.2.8 PLANNING AND IMPLEMENTATION MANAGEMENT SUPPORT

##### Key Performance Area: Good governance and public participation

**Planned outcome:** Fully aligned Integrated Development Plans in the District

Planned outputs	Completed	Challenges and / or planned improvements
1. Fully compliant and aligned IDP submitted for adoption by 30 June 08	100%	The IDP was submitted in time. In accordance with the provincial assessment process the Districts IDP was classified in the high quality category.
2. Process Plan milestones reached in Impendle, Mkhambathini, Mpofana, Richmond and uMshwathi LMs 30 June 08	50%	Mpofana and uMshwathi managed to reach the milestone by 30 June 08 and moved from poor to medium in terms of provincial assessments. Impendle and Mkhambathini municipalities are still regarded as critical due lack of human resource capacity. The district and DLGTA are assisting.

## 4.1.2.9 SPECIAL PROJECTS

## Key Performance Area: Social development services

Planned outcome: Socio economic development in the District promoted

Planned outputs	Completed	Challenges and / or planned improvements
1. 100% achievement of the Gender and Equity project milestones by 30 June 2008	10%	A successful workshop was held with the Deputy Mayor the wives of amakhosi. No further initiatives were undertaken due to financial constraints
2. 30% increase in the number of youth entrepreneurs by 30 June 08	10%	Due to financial constraints youth affairs was confined to participating in initiatives arranged by sector departments.
3. 60% increase in youth participation in the mainstream economy by 30 June 08	10%	
4. District wide HIV and Aids Strategic Plan developed and adopted by 30 June 08	90%	The Strategy was adopted by Council and is being implemented
5. District wide Sports, Arts and Culture Strategic Plan developed and being implemented by 30 June 08	Nil	These projects had to be shelved due to financial constraints
6. District wide Poverty Alleviation Strategic Plan developed	Nil	



and adopted by 30 June 08		
7. District wide Human Rights Strategic Plan developed and adopted by 30 June 08	Nil	
8. District wide Organised Business Support Strategic Plan developed and adopted by 30 June 08	Nil	
9. District wide Communication Strategy developed and adopted by 30 June 08	Nil	
10. A strategic document to integrate strategic issues of traditional local authorities and traditional affairs into the local governance structures developed and adopted by 30 June 08	Nil	
11. A strategic document to promote intergovernmental relations developed and adopted by 30 June 08	100%	A Cluster Model was developed and implemented and has resulted in vastly improved relations within the District
12. Positive relations between spheres of government in the District established by 30 June 08	100%	

## 4.1.3 Department of Technical Services

## 4.1.3.1 WATER SERVICES PROVISION

Key Performance Area: Basic service delivery		
<b>Planned outcome:</b> Potable water provided to all consumers throughout the District		
Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
a) Greater Eston Water consisting of:		
(i) Inhluzuka PI	80%	Resource constraints need to be addressed
(ii) Inhluzuka Pii	65%	
(iii) Embuthweni PI	20%	
(iv) Embuthweni PII	40%	
b) Ozwathini Water - Ilembe Contribution	98%	



c) Gqugquma Water	100%	
d) Kwanovuka Water	20%	Resource constraints need to be addressed
e) Enguga/ Macksam/ Ntshiyabantu	50%	
f) Mashambisane Water	99%	
g) Mpofana Leakage Management	100%	
h) uMshwathi - Albert Falls water project	100%	
i) uMshwathi - Gqugquma water supply	100%	
j) uMshwathi - Masihambisane water supply	100%	
k) uMshwathi - Ntanzi water supply	100%	
l) uMshwathi - Ozwathini water supply	98%	
m) uMshwathi - Ntanzi Water Capital	100%	



n) uMngeni - Leakage management	<b>Nil</b>	Resource constraints need to be addressed
o) Mpofana - Leakage management	<b>100%</b>	
p) Impendle - Greater Stoffelton water supply	<b>20%</b>	Resource constraints need to be addressed
q) Impendle - Kwanovuka water supply	<b>20%</b>	
r) Impendle - Makhuzeni Water Phase 2	<b>20%</b>	
s) Mkhambathini - Leakage management	<b>5%</b>	
t) Mkhambathini - Ogagwini water supply	<b>10%</b>	
u) Mkhambathini - Ukhalo water supply	<b>10%</b>	
v) Mkhambathini - Greater Eston Water - Bulk Pipeline and other areas	<b>Nil</b>	
w) Richmond - Inhlazuka water supply	<b>65%</b>	



## 4.1.3.2 SANITATION SERVICES PROVISION

Key Performance Area: Basic service delivery		
Planned outcome: Improved access to basic sanitation services		
Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
a. Swayimane - Ward 6 & 9 (Mshwathi)	48%	Resource constraints need to be addressed
b. Swayimane - Ward 10 (Mshwathi)	55%	
c. Swayimane - Ward 11 (Mshwathi)	30%	
d. Stoffelton - Ward 1 ( Impendle)	75%	
e. Emakholweni - Ward 5 (Mkhambathini)	30%	
f. Ndaleni - Ward 3 & 6 (Richmond)	45%	



g. Magoda - Ward 2 (Richmond)	36%	
h. Inhlazuka Sanitation	60%	
i. Isimonti	100%	
j. Ophokweni	30%	
k. Ngilanyoni	96%	
l. Siyazama	100%	
m. Mvotisolopes	65%%	Resource constraints need to be addressed
n. Mgeni Sewage Treatment Works	Nil	

4.1.3.3 ROADS AND STORM WATER

**Key Performance Area: Basic Service Delivery**

**Planned outcome:** Improved road network and storm water controls



Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
6. uMshwathi - construction of D1017	100%	
b) Road D1130	20%	
c) Mooi River Village roads	100%	
d) Mooi River Taxi Rank	100%	
e) Upgrading roads in Nxamalala	100%	
5 Upgrading roads in Basotho	100%	
6 Upgrading Embo Thumini roads	100%	
7 Hopewell roads and stormwater	98%	



4.1.3.4 SOLID WASTE MANAGEMENT

**Key Performance Area: Basic Service Delivery**

**Planned outcome:** Integrated and optimised waste management procedures followed

Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
a) Perimeter Road at New England Road Landfill Site completed	100%	
b) Access Road at uMngeni Landfill Site completed	100%	
c) uMshwathi Landfill Site developed	100%	
d) Hilton Landfill Site closed	100%	
e) Leachate - New England Road	100%	
f) uMngeni Landfill Site developed	100%	

4.1.3.5 SPORTS AND RECREATION (PUBLIC WORKS)

**Key Performance Area: Basic Service Delivery**

**Planned outcome:** Improved access to sports and recreation facilities

Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
a) Dales Park Athletic Track completed		Msunduzi Local Municipality is the implementing agent
b) Mpolweni Sports field completed	90%	
c) Richmond Sports field completed	35%	

4.1.3.6 ELECTRICITY PROVISION

**Key Performance Area: Basic Service Delivery**

**Planned outcome:** Improved access to electricity



Planned outputs	Completed	Challenges and / or planned improvements
1. 100% completion of prioritised project phases for the following projects by 30 June 08		
a) Bulk - Embo Thumini	100%	
b) Non grid Electrification	100%	

4.1.3.7 CEMETERIES AND CREMATORIA

**Key Performance Area: Basic Service Delivery**

**Planned outcome:** Improved access to cemeteries and crematoria

Planned outputs	Completed	Challenges and / or planned improvements
1. Maintenance and construction of cemeteries and crematoria in the District	Nil	No funds were available for this function

## 4.1.4 Department of Financial Services

## 4.1.4.1 BUDGETING AND REPORTING

## Key Performance Area: Financial management and viability

Planned outcome: Improved financial management and reporting

Planned outputs	Completed	Challenges and / or planned improvements
1. GRAP compliant financial statements submitted by 30 Sept 07	100%	Submitted and audited
2. New financial management system that caters for all information and reporting needs in place by 30 June 08	100%	The new System is operational
3. IDP, PMS and Budget adoption integrated into one seamless management process by 30 June 08	80%	Refinement is still required in the alignment of IDP inputs and the Budget
4. Allocative criteria adopted by 31 Oct 07	100%	A 3 year Operational Budget and a 5 year Capital Budget Plan was adopted
5. Reconciliation reports completed and submitted monthly	100%	In year monitoring reports were completed and submitted

6. GRAP compliant asset register in place by 30 June 08	100%	Although this Register is in place assets are still moved around without authorisation
7. Achieve a budget of 60: 40 for the 2008/09 budget	75%	Significant progress was made towards achieving this target

#### 4.1.4.2 EXPENDITURE CONTROL

##### Key Performance Area: Financial management and viability

**Planned outcome:** Improved control over expenditure

Planned outputs	Completed	Challenges and / or planned improvements
1. New financial management system that caters for all information and reporting needs in place by 30 June 08	100%	Training needs to users of the system are identified as the financial management system is fairly new.
2. 100% compliance with the MFMA throughout the year	90%	There are instances where section 164(1)(c) is not complied with. Attempts are made to recover from former staff and councillors. The HR Unit is handling negotiations with existing staff members.
3. All systems reviewed, improved and implemented by 30	75%	Systems are now integrated which reduces time delays in incorporating the information into the general ledger. Teething





June 08		problems with the Payroll System are still being ironed out. The Department needs to change over from VIP to pastel payroll. Training of staff on the new pastel payroll is done continuously.

4.1.4.3 INCOME CONTROL

Key Performance Area: Financial management and viability

Planned outcome: Improved collection and management of income

Planned outputs	Completed	Challenges and / or planned improvements
1. Reformed billing and credit control systems implemented	75%	Significant progress was made in this area by the end of the reporting period
2. 20% reduction of outstanding debts by 30 June 08	50%	The writing off of some levies debtors was approved and water debtors will be controlled once the new billing system is fully implemented
3. Internally generated revenue increased by 10% by 30 June 08	90%	Policy document was approved and the direct billing for water will vastly improve income generation



4. Borrowing and Investment Policy submitted for adoption by 30 June 08	Nil	
6. Municipal viability index developed and adopted by 30 June 08	10%	Research was conducted into generally accepted norms and standards
7. New financial management system that caters for all information and reporting needs in place by 30 June 08	100%	Installed and operating
8. Databased registry of indigent clients in place and free basic water budgeted for 30 June 08	50%	Policy document was approved, but the register is still incomplete

4.1.4.4 SUPPLY CHAIN MANAGEMENT

**Key Performance Area: Financial management and viability**

**Planned outcome:** Efficient, effective and economical supply chain management service provided

Planned outputs	Completed	Challenges and / or planned improvements
1. 10% increase in the number of BEE service providers engaged by 30 June 08	100%	



2. Supply chain management policies and procedures developed by 31 March 2008	100%	
3. Three business days for purchase of goods	10%	This remains a challenge and is receiving ongoing attention
5. Stock Module procured by 31 March 2008	Nil	Lack of funding

4.1.5 Department of Corporate Services

4.1.5.1 HUMAN RESOURCE MANAGEMENT

**Key Performance Area: Institutional development and transformation**

**Planned outcome:** The District Municipality has evolved into an employer of choice

Planned outputs	Completed	Challenges and / or planned improvements
-----------------	-----------	--



1. IDP aligned organisational structure approved and implemented by 30 June 08	<b>60%</b>	An organisational structure was developed and approved, but it was not implemented
2. A Workplace Skills Plan adopted by 30 June 08	<b>100%</b>	This was done and submitted to the Local Government SITA on time
3. 50% of management posts (level 0 to 4) occupied by women	<b>Nil</b>	Not achieved
4. Cultural diversity training programme implemented by 30 June 08	<b>Nil</b>	Not achieved due to a lack of capacity and funds
5. Engage 15 in-service trainees by 30 June 08	<b>Nil</b>	Not achieved due to a lack of fund
6. Issue at least 10 bursaries to PDIs during 2007/08 financial year	<b>Nil</b>	No further bursaries were issued. Current bursary holders continue to receive financial assistance
7. Engage 20 learners by 30 June 08	<b>50%</b>	A number of learners were engaged
8. Strive towards the achievement of the demographic targets with the filling of all posts	<b>90%</b>	No further progress was made in this area due to the moratorium on the filling of posts
9. Job evaluation process completed by 30 June 08	<b>Nil</b>	No progress made. Job descriptions have subsequently been reviewed and resubmitted

## 4.1.5.2 ADMINISTRATION AND SOUND GOVERNANCE

<b>Key Performance Area: Institutional development and transformation</b>		
<b>Planned outcome:</b> Improved support services to the Council and the Administration		
<b>Planned outputs</b>	<b>Completed</b>	<b>Challenges and / or planned improvements</b>
1. Improve the mean satisfaction rate in respect of Batho Pele principles from 3.74 out of 10 to 5 by 30 June 08	<b>Nil</b>	A customer satisfaction survey was not conducted due to a lack of capacity and resources
2. An improved fleet management policies, procedures and practices implemented by 30 June 08	<b>100%</b>	A revised Fleet Management Policy was adopted on 30 May 2008 and has subsequently been implemented.
3. Improved Committee Division policies, procedures and practices implemented by 30 June 08	<b>50%</b>	A draft policy document was developed and circulated for comment
4. Improved Registry policies, procedures and practices implemented by 30 June 08	<b>50%</b>	A draft policy document was developed and circulated for comment

## 4.1.5.3 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

**Key Performance Area: Institutional development and transformation****Planned outcome:** Shared service ICT Division that complies with legislative requirements and industry standards

Planned outputs	Completed	Challenges and / or planned improvements
1. ICT shared services centre established by 30 June 08	Nil	Not achieved due a lack of funds and capacity of the previous service provider
3. Functional ICT steering committee and forums by 30 June 08	Nil	Not done, because the District Municipality is totally reliant on service providers for this service
4. Strategically aligned ICT division by 30 June 08	100%	Accomplished by a new service provider with the necessary capacity
5. Full proof disaster recovery plan for ICT services installed by 30 June 08	Nil	Not achieved due a lack of funds and capacity of the previous service provider
6. Updated district and local municipality website by 31 Aug 07	Nil	
7. Operational district wide intranet by 31 Aug 07	Nil	



8. WAN link over a Virtual private network installed by 30 June 08	100%	Accomplished by a new service provider with the necessary capacity
9. Remote access to district resources via an APN implemented by 30 June 08	100%	
10. Upgraded LAN infrastructure by 30 June 08	Nil	Not achieved due a lack of funds and capacity of the previous service provider
11. Developed ICT policies, procedures and standards by 30 June 08	Nil	
12. ICT skills within the District improved by 30 June 08	Nil	
13. Digital villages and e-citizens in the District operational by 30 June 08	Nil	Not achieved due a lack of funds and capacity of the previous service provider
14. Automated online operational decision support and transactional business systems in place by 30 June 08	Nil	
15. Licensed and legal software with maintenance support contracts in place by 30 June 08	100%	Accomplished by a new service provider with the necessary capacity
16. Enhanced usage of ICT facilities by users by 30 June 08	Nil	Not achieved due a lack of funds and capacity of the previous



17. Functional facility control systems in place by 30 June 08	<b>Nil</b>	service provider
18. Fully operational cost effective district wide telecommunications infrastructure in place by 30 June 08	<b>Nil</b>	
19. Improved multimedia devices and equipment by 30 June 08	<b>Nil</b>	





## 5 CHAPTER 5: REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF uMGUNGUNDLOVU DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the accompanying financial statements of the uMgungundlovu District Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages X to XX.

#### Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). 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 and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uMgungundlovu District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **BASIC ACCOUNTING**

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

#### **OPINION**

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the uMgungundlovu District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

#### **Emphasis of matter**

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

#### **GOING CONCERN**

11. The uMgungundlovu District Municipality incurred a net deficit of R20 640 062 for the year ended 30 June 2008 and, as at that date, the entity's accumulated losses totalled R6 435 916. These conditions, point to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.



## **Significant uncertainties**

### **Environmental Costs**

12. With reference to note 33 to the financial statements, the environmental health function was to be transferred to the uMgungundlovu District Municipality with effect from 1 July 2004. However, the actual transfer process has not occurred as the municipality, together with all other district municipalities are disputing this unfunded mandate. Accordingly, the ultimate outcome of the matter cannot presently be determined, and no provision for any resultant liability has been made in the financial statements.

### **Fruitless and wasteful expenditure**

13. As disclosed in note 36 to the financial statements, fruitless and wasteful expenditure to the amount of R192 000 was incurred, as the municipality could not obtain invoices or details of the services rendered by the supplier.

### **RESTATEMENT OF CORRESPONDING FIGURES**

14. As disclosed in explanatory note to the statement of changes in net assets and note 28 and 34 to the financial statements, the corresponding figures for 30 June 2007 have not all been restated as a result of the change in accounting framework adopted by the municipality. The restatement had not been applied retrospectively in all cases as it was found to be impracticable by the municipality to restate all balances in accordance with GRAP 3. Hence balances reflected in the comparative year are not all based on GRAP.

### **OTHER MATTERS**

Without qualifying my audit opinion, I draw attention to the following matter that relate to my responsibilities in the audit of the financial statements:

### **NON-COMPLIANCE WITH APPLICABLE LEGISLATION**

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

15. A risk management policy and a fraud prevention plan have not been developed. Risk assessments were not undertaken as required by section 62(c) of the MFMA



- 16. The annual financial statements were not reviewed by the audit committee as required by section 166 (2)(b).
- 17. A report for the adherence to SCM policy as required by act section 75 of the MFMA was not submitted to council within 30 days after year-end per regulation 6.
- 18. The municipality did not comply with the provisions of GRAP 1, as budgetary information was not included in the annual financial **statements**.

**MATTERS OF GOVERNANCE**

19. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
<ul style="list-style-type: none"> <li>• The municipality had an audit committee in operation throughout the financial year.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>• The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.</li> </ul>		✓
<b>Internal audit</b>		
<ul style="list-style-type: none"> <li>• The municipality had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>• The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.</li> </ul>		✓
<b>Other matters of governance</b>		



Matter of governance	Yes	No
<ul style="list-style-type: none"> <li>The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.</li> </ul>		✓
<ul style="list-style-type: none"> <li>The financial statements submitted for audit were not subject to any material amendments resulting from the audit.</li> </ul>		✓
<ul style="list-style-type: none"> <li>No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The prior year's external audit recommendations have been substantially implemented.</li> </ul>	✓	
<p><b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b></p>		
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.</li> </ul>		✓
<ul style="list-style-type: none"> <li>The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>		✓
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>		✓

**Unaudited supplementary schedules**

20. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted



budget in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

**21. THE SUPPLEMENTARY INFORMATION, SET OUT AS APPENDIX A TO B ON PAGES XX TO XX DOES NOT FORM PART OF THE FINANCIAL STATEMENTS AND IS PRESENTED AS ADDITIONAL INFORMATION. I HAVE NOT AUDITED THESE SCHEDULES AND ACCORDINGLY I DO NOT EXPRESS AN OPINION THEREON.**

#### **OTHER REPORTING RESPONSIBILITIES**



#### **REPORT ON PERFORMANCE INFORMATION**

22. I have reviewed the performance information as set out on pages xx to xx.

#### **RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE PERFORMANCE INFORMATION**

23. 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**

24. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

25. 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.

26. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.



**APPRECIATION**

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

Pietermaritzburg

28 November 2008



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





**Abbreviations used in this report**

- MM – Municipal Manager.
- SEM – Strategic Executive Manager.
- EM - Executive Manager.
- CFO – Chief Financial Officer.
- AG – Auditor General.
- SLA – Service Level Agreement.
- LMs – Local Municipalities.
- GRAP – Generally Recognised Accounting Practices.
- GAMAP – Generally Accepted Municipal Accounting Practices.
- UMDM – Umgungundlovu District Municipality.



## **EXECUTIVE SUMMARY**

### **Structure of the Report**

The report summarises the issues raised by the AG and also gives a summary of measures that the council will / has put in place in order to prevent a recurrence of issues that have been identified by the AG. This is followed by the detailed issues as reported by the Auditor General. UMDM Responses covering the action that will be taken, followed by the official assigned the responsibility of ensuring this is done, then by a status of progress made to date if any and finally a target date for completion.

## **SUMMARY PROPOSED ACTION PLAN**

**Corrective action has been taken to rectify the weaknesses identified.**

#	AG Report Comment	UMDM Response	Responsible official	Status	Completion Date
#	AG Comments	UMDM Response	Responsible Official	Status	Completion Date
1	The uMgungundlovu District Municipality incurred a net deficit of R20 640 062 for the year ended 30 June 2008 and, as at that date, the entity's accumulated losses totaled R6 435 916. These conditions, point to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.	This going concern is caused by the fact that uMgungundlovu District Municipality incurred huge expenses on water and sanitation with no matching income. The Municipality has put forward a district wide billing system which will commence at the beginning of February 2009.	Acting SEM: Financial Services	In progress	February 2009
2	With reference to note 33 to the financial statements, the environmental health function was to be transferred to the uMgungundlovu District Municipality with effect from 1 July 2004. However, the actual transfer process has not occurred as the municipality, together with all other district municipalities are disputing this unfunded mandate. Accordingly, the ultimate outcome of the matter cannot presently be determined, and no provision for any resultant liability has been made in the financial statements.	The Committee comprising of Health Department, Treasury Department, Local Government, 11 District Municipalities and Durban Metro is still debating this matter because it does not come with funding. It is unlikely that the decision when taken can have a retrospective effect. The Municipality has however disclosed this in the Annual Financial Statements as a contingent liability.	Acting SEM: Community Services	In progress	June 2009

3	As disclosed in note 36 to the financial statements, fruitless and wasteful expenditure to the amount of R192 000 was incurred, as the municipality could not obtain invoices or details of the services rendered by the supplier.	The observation is noted. Attempts to locate the supplier were unsuccessful. This was disclosed in the Annual Financial Statements as a fruitless expenditure.	Acting SEM: Financial Services	Expensed	June 2008
4	As disclosed in explanatory note to the statement of changes in net assets and note 28 and 34 to the financial statements, the corresponding figures for 30 June 2007 have not all been restated as a result of the change in accounting framework adopted by the municipality. The restatement had not been applied retrospectively in all cases as it was found to be impracticable by the municipality to restate all balances in accordance with GRAP 3. Hence balances reflected in the comparative year are not all based on GRAP.  <b>OTHER MATTERS</b>	The observation is noted. It became practically impossible to restate some comparative figures but this as been disclosed in the Annual Financial Statements as recommended by GRAP 3.	Acting SEM: Financial Services	Disclosed	June 2008
5	A risk management policy and a fraud prevention plan have not been developed. Risk assessments were not undertaken as required by section 62(c) of the MFMA.	The finding of the Auditor General is correct, the internal audit is required by s165(2) of the MFMA No. 56 of 2003 to perform risk based audits, taking into account the results of the risk assessment.  The risk assessment process for the 2007/2008 financial year was conducted by an external service provider, and the results of such were not made available to the Internal	Municipal Manager	To be submitted to Council	March 2009

		<p>Audit unit until September 2008, hence we were unable to develop a risk-based internal audit plan.</p> <p>A copy of the risk assessment performed by Roshan Morrar and Associates is attached.</p> <p>The recommendation of the Auditor General is noted, in future, proper record of audit work performed by external service providers will be maintained.</p>			
<b>6</b>	The Annual Financial Statements were not reviewed by the Audit Committee as required by section 166(2)(b) of the MFMA.	<p>The auditors' attention is drawn to paragraph 2 of the Audit Committee relative to the committee's legislative mandate, which refers to Section 166(2) of the MFMA, No. 56 of 2003, however, the recommendation of the Auditor General is noted, and such provisions will be included as part of the paragraph.</p> <p>Annual Financial Statements will in future be submitted to Audit Committee for review.</p>	Municipal Manager	To be submitted to Audit Committee	August 2009
<b>7</b>	A report for the adherence to SCM policy as required by the Act, section 75 of the MFMA was not submitted to Council within 30 days after year-end per regulation 6.	A report will be submitted accordingly inline with the requirements of the MFMA.	Acting SEM Financial Services	In Progress	January 2009
<b>8</b>	The Municipality did not comply with the provisions of	Audit Observation noted. The next set	Acting SEM	In Progress	June 2009



	GRAP1 as budgetary information was not included in the Annual Financial Statements.	of AFS will include budget information as required by GRAP1	Financial Services		
--	---	---	--------------------	--	--

-----END OF REPORT-----

-----END OF REPORT-----



## 6 CHAPTER 6: REPORT OF THE AUDIT COMMITTEE

### REPORT FROM THE AUDIT COMMITTEE

It is noted with concern that that the Internal Audit Staff was seriously depleted, thus compromising the effectiveness of the internal control systems. In this scenario, the oversight function of the Audit Committee was compromised as the Committee relies on Internal Audit for regular performance reporting and compliance monitoring.

The Audit Committee serves as an early warning system to assist the Council to detect and mitigate various potential and real risks factors. The year under review was very challenging as it was evident that robust, performance-oriented systems were not in place, resulting in the near-collapse of the Municipality during the first half of the financial year.

It became evident that a new ethos and systems had to give way to the old ways of doing things. In this regard, the new political and administrative leadership assisted in ushering in a new era of performance reporting, accountability, transparency, efficiency and focus on core business. We trust that this the new foundation laid will be sustained over time, leading to remarkable improvements in service delivery.

The Committee has taken note of the findings and opinions of the Auditor-General and will monitor steps taken by Management to address all the issues raised.

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

**By Audit Committee**



**7 CHAPTER 7: AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION**

## Index

**7.1 NOTE: ANNUAL FINANCIAL STATEMENTS ARE ATTACHED FOR YOUR CONVENIENCE**

Municipal Manager’s responsibilities and approval	6 - 7
Report of the Chief Financial Officer	8 - 12
Statement of Financial Position	13
Statement of Financial Performance	14
Statement of Changes in Net Assets	15
Cash Flow Statement	16
Accounting Policies	17 - 25
Notes to the Annual Financial Statements	26 - 40
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Supplementary information List of Bank Balances	41
APPENDIX A: Schedule of External Loans	42
APPENDIX B (1): Actual versus Budget (Revenue and Expenditure)	44
APPENDIX B (2): Actual versus Budget (Acquisition of Property, Plant and Equipment	46





## **8 INPUTS INTO THE PROVINCIAL MUNICIPAL PERFORMANCE REPORT**

### **8.1 REFERENCES**

1. uMgungundlovu District Municipality Integrated Development Plan
2. Integrated Development Plan Guide Pack
3. Policy Framework for Managing Performance in the uMgungundlovu District Municipality
4. uMgungundlovu District Municipality Performance Management System
5. Annual Reports of numerous municipalities
6. Relevant legislation and policy directives
7. Municipal Finance Management Act (Act No. 56 of 2003) Circular No. 32
8. Municipal Finance Management Act (Act No. 56 of 2003) Circular No. 11