

UMZINYATHI

**DISTRICT MUNICIPALITY/
UMASIPALA WESIFUNDA**



ANNUAL REPORT

2007/2008

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TABLE OF CONTENT

FOREWORD BY THE MAYOR	1
OVERVIEW BY THE ACCOUNTING OFFICER	3
CHAPTER 1: INTRODUCTION AND GENERAL INFORMATION	9
1.1 BRIEF OVERVIEW	9
1.2 VISION, MISSION AND CORE VALUES	12
1.3 OVERVIEW OF THE LOCAL MUNICIPALITIES WITHIN UMZINYATHI DISTRICT MUNICIPALITY	12
CHAPTER 2: PERFORMANCE HIGHLIGHTS	14
2.1 Service Delivery and Infrastructure Development	14
2.2 Local Economic Development	21
2.3 Municipal Financial Viability	29
2.4 Municipal Transformation and Institutional Development	31
2.5 Good Governance	37
CHAPTER 3: REPORT OF THE AUDITOR GENERAL	39
CHAPTER 4: REPORT OF INTERNAL AUDITORS	50
CHAPTER 5: REPORT OF THE AUDIT COMMITTEE	51
CHAPTER 6: REPORT OF THE OVERSIGHT COMMITTEE	52
CHALLENGES AND CONCLUSION	53

CLLR M.S YENGWA

MAYOR: UMZINYATHI DISTRICT MUNICIPALITY

It is my pleasure to submit the Annual Report of Umzinyathi District Municipality for the financial year 01 July 2007 to 30 June 2008.

To the best of my knowledge, the content of the report is consistent with the provision of the Section 46 of the Municipal Systems Act and National Treasury guidelines. This report seeks to portray the Umzinyathi District Municipality activities during the financial year under review and is based on sound underlying municipal functions and management systems.

In presenting this report, we acknowledge progress made during the 2007/08 financial year as well as the challenges that lie ahead.

Mr S.N Dubazana
Municipal Manager

UMZINYATHI DISTRICT MUNICIPALITY'S 2007/2008 ANNUAL REPORT

DEPARTMENT : PLANNING AND SOCIAL DEVELOPMENT.

ROUTING:

COUNCIL MEETING

22/01/09

1. PURPOSE

The purpose of this report is to table the 2006/2007 Municipal Annual Performance Report for consideration.

2. BACKGROUND.

According to Section 121 (1) of the Municipal Finance Management Act, No 56 of 2003, all municipalities and municipal entities are required to prepare annual reports for the following reasons;

- To provide a record of the activities of the municipality or entity,
- To provide a report on the performance in service delivery and budget implementation; and,
- To promote accountability to the local community.

The above legislation demands that the report includes all aspects of performance through the provision of a true, honest and accurate account the set goals and the resultant successes or failures experienced.

3. THE REPORT.

The structure of the report is based on the following sub-headings

- **Introduction and Overview:** This will comprise the Mayor's and Municipal Manager's Forewords, an overview picture of the District, strategic focus and a brief overview of the four Local Municipalities.
- **Basis of District Strategic Direction:** This section includes the vision, mission and core values of the District forming the foundation for its goals and objectives.
- **Development Priorities Identified in the IDP:** This highlights the major socio-economic focus areas where priority attention was required. These "pressure points" would then influence the direction budget expenditure would take.

- **Council Performance Highlights (5KPAs):** This report dwells on highlighting Council's achievements in each of the 5KPAs identified by national government.
- **Financial Report:** Consists of the municipality's annual financial statements, the Auditor-General audit report and the overall assessment of the overall performance of the municipality against the set objectives.
- **Challenges:** These refer to constraints which hindered the achievement of set goals and objectives in that particular financial year.
- **Conclusion:** Gives the overview of the year with some sense of a way forward with a view to improve

4. RECOMMENDATIONS.

1. That Council notes the 2007/2008 Annual Report as presented and give authority for it to be forwarded to the Auditor-General, Provincial Treasury and the Department of Local Government and Traditional Affairs in terms of the Municipal Finance Management Act, 56 of 2003,
2. That the 2007/2008 Annual Report be made public and local communities be invited to submit representations they have in connection with the Annual Report in terms of section 21A of the Municipal Systems Act, 32 of 2000,
3. That the Annual Report be referred to the Internal Audit, the Audit Committee and for review after which an Oversight Report should be submitted to EXCO and Council, and,
4. That the standard framework attached to the draft Annual Report be utilised by the Oversight Committee during the evaluation process.

E BONGA.

MANAGER: PLANNING AND SOCIAL DEVELOPMENT

FOREWORD BY THE MAYOR

It is my honor and privilege to table the annual report for the financial year 2007/08. The annual report informs us on how we have performed in that financial year. This annual report is historical for Umzinyathi District Municipality and its residents as Councillors, officials and the community had extensive engagements which resulted in the preparation of this budget which talks to the needs of the people. The budget was adopted by Council on the 27 March 2008 after being scrutinized and workshopped by Management, Exco and Council. The IDP and the Budget Public consultation process was conducted successfully during April and May 2008. The process was led by the Mayor in Nquthu Municipality, Umvoti Municipality and Endumeni Municipality. The district scheduled public participation meeting for Msinga Municipality was not successful due to poor attendance. Comments received from members of the public were taken into account in the final budget.

The provision of water services by uThukela Water (Pty) Ltd is still problematic which led to the intervention by the provincial Executive Council in terms of section 12 a of the constitution.

A provision for Uthukela Water Services Agency fees was nonetheless made in the 2007/2008 financial year budget.

The annual financial statements for 2007/2008 which indicate progress when compared with the last financial year were also presented to Council and the Auditor General. The municipality successfully reviewed and approved the organizational structure in order to improve its operational capacity. The revised structure contributed positively to the functioning of the Finance Department which was under resourced, but now has full staff complement to take charge of financial management.

The Municipality produced the annual report and carried on measuring and rewarding performance for section 57 employees. Though the municipality efficiently managed its financial resources, its operations continue to depend on Government grants, which is an unacceptable state though. The municipality is therefore faced with a serious challenge to address the service backlog due to financial constraints and high poverty levels of the residents.

The Municipality has put serious efforts to clear the previous year's audit queries which led to a Disclaimer and I am glad that in 2007/08 financial year, the situation has improved. I am urging the Municipal Manager and other Managers to work tirelessly to ensure that during the next audit, we will receive a clean report. UThukela Water continued to fail to produce financial statements and this has serious implications for Umzinyathi's audit report. Umzinyathi would like the water services function returned to it so that it can take full responsibility for water service delivery; however the Council awaits finality of the MEC's intervention for the way forward on the mechanism to be used for water service delivery.

While we have a mammoth task facing us, our commitment to effective service delivery is beyond doubt. As we continue cooperating with our communities and Local Municipalities within the District, I am optimistic that at some point, sooner than imagined, we will look back and say ***“though it is not enough, but significant milestones have been achieved”***. Mr Speaker you will agree with me that after implementing these programmes Umzinyathi will not be the same again.

OVERVIEW BY THE ACCOUNTING OFFICER

INTRODUCTION

The comment which follows will touch on a number of performance areas with a view to highlighting the developments, progress and achievements that were made during 2007/2008 financial year. The challenges faced, as well as general strategies to address them will be briefly touched on. Broad areas to be covered include service delivery, economic development disaster management and environmental health, community participation and awareness, governance and financial management.

BACKGROUND

In my synoptic comment in the 2006/2007 Annual Report I expounded a number of issues on how the Municipality had performed in different areas. I commented on the status of uThukela Water, the challenges it had and the impact such challenges had on the Auditor-General's Report. I reported on the restructuring of Council Departments as well as developments on the setting up of governance structures and processes like the audit committee and the internal audit unit. Significant progress has been made since then and critical activities are covered in the paragraphs hereunder.

LEGISLATIVE BACKGROUND

Section 121 of the Municipal Finance Management Act No. 56 of 2003 provides for the preparation and adoption of an annual report by a municipality.

Subsection 1 provides that "every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129."

Subsection (2) states that the purpose of an annual report is-

- (a) to provide a record of the activities of the municipality or a municipal entity during the financial year to which the report relates;
- (b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- (c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

According to subsection (3), the annual report of a municipality must include-

- (a) the annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor – General for audit in terms of section 126(1);
- (b) the Auditor-General’s audit report in terms of section 126(3) on those financial statements;
- (c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (d) the Auditor-General’s audit report in terms of section 45(b) of the Municipal Systems Act.
- (e) an assessment by the municipality’s accounting officer of any arrears on municipal taxes and service charges;
- (f) as assessment by the municipality’s accounting officer of the municipality’s performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality’s approved budget for the relevant financial year.
- (g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- (h) any explanation that may be necessary to clarify issues in connection with the financial statement;
- (i) any information as determined by the municipality;
- (j) any recommendations of the municipality’s audit committee; and
- (k) any other information as may be prescribed.

SERVICE DELIVERY

Umzinyathi District Municipality is entrusted with a number of functions of which water and sanitation, environmental health, local economic development and community development are priority functions on which the Municipality is focusing upon in terms of its Integrated Development Plan. The budgetary allocation for the year under review bears testimony to this and:

- | | |
|--|-----------------|
| • Water and sanitation | R 63,846,067.53 |
| • Economic development | R 6,549,352.94 |
| • Environmental health and disaster management | R 3,209,086.00 |

An evaluation of the effectiveness with which these key services were rendered is briefly discussed below.

1. WATER AND SANITATION

This is the area that has been problematic since the Municipality took over the water service function. In the 2006/07 Annual Report I reported that the Provincial Executive intervened on 05 December 2007 and assumed the Water Services Authority status. This position still continues. Since the intervention process was quite involved as it embraced both the assessment of uThukela Water (Pty) Ltd and forensic investigation, it took sometime to establish the status quo and to coin appropriate remedial measures.

The recent meeting between the MEC for Local Government, Housing and Traditional Affairs and affected municipalities showed that a way forward is imminent as both the assessment and the investigation reports had been submitted and recommendations agreed upon.

Despite the above process, water provisioning to communities remained a problem. While new water schemes were built, water supply to households posed a challenge as the supply was not sustainable and had frequent, uncontrollable interruptions. An amount of R44, 262,182.60 was spent on implementing water schemes. Out of 10 469 households that were targeted, 4645 households were provided with water. An amount of R 9,473,615.45 was spent on providing rural sanitation. .

Consultants are being appointed on a short term basis to do the operation and maintenance of certain schemes in identified problem areas. It is anticipated that the impact of these remedial, measures will soon become noticeable. Water tankers are also provided on an ongoing basis to areas that are experiencing water shortages. Admittedly this has proven inadequate as it is very costly to sustain. Funding was sourced from the Department of Water Affairs to undertake water loss management in Greytown which is under Umvoti Local Municipality. While the funding is inadequate, it is however anticipated that some improvement will be made at least in terms of having the causes of acute water losses identified and dealt with. The value of this exercise lies in the fact that an investigation conducted revealed that more than fifty percent of water that is pumped from the reservoirs to the households is lost in transit.

2. ECONOMIC DEVELOPMENT

According to the IDP of uMzinyathi District Municipality, the unemployment and poverty levels are at 62% and 68 % respectively. This situation poses a challenge which requires strategic intervention on the part of the Municipality. Various small scale projects were undertaken to the value of R 2,590,902.94 of the total amount expended on this programme R 1,818,450.00 was sourced from Gijima R 2,140,000.00 and the Department of Local Government & Traditional Affairs through its corridor development programme. In addition to the above the Department of Local Government & Traditional Affairs has, during the 2008/09 financial year, made available to uMzinyathi District Municipality the funding to the tune of R 6, 140 000.00 for the development of the incubator programme which is aimed at developing mostly woman contractors so that they can undertake huge capital projects and the cultivation of soya bean in the area of 300 hectares. These projects will be taking off shortly.

Other large scale projects are at an identification stage and various private and public sector organisations are involved in this endeavour. The agricultural strategy and local economic development strategy have been developed. Implementation plans are being prepared so that they will inform the 2009/10 budget.

3. DISASTER MANAGEMENT AND ENVIRONMENTAL HEALTH

During the year 2007/08 a number of incidents like fire and storm did take place which affected 1571 people and incurred the loss of about R124 436.

As a strategic intervention in this high risk area, the District Municipality, together with other Local Municipalities within the district, resolved to renew the contract with Rural Metro which is the service provider that is trusted with fire fighting and disaster management services throughout the district. To this end uMzinyathi District Municipality provided an amount of R1,6 million. The service level agreement was reviewed in order to close the gaps that were identified which most importantly included the matters of regular audits as well monitoring an evaluation.

Phase II of the disaster management plan is underway. Various role players were identified and are playing a very important role in the development of the disaster management plan, with the help of DIS Consultants.

Regular and ad-hoc inspections on pollution and environmental safety are conducted. A feasibility study was conducted on the need for the establishment of regional landfill sites and business plans are at a preparatory stage.

4. COMMUNITY PARTICIPATION AND AWARENESS

Community participation in the areas of service delivery, budgeting and planning did take place. The current training of ward committee members on municipal legislation and roles and responsibilities will surely improve the level of participation. The First Imbizo was held on 21 June 2008 to give a report to the community on the performance and final IDP of the municipality. Quarterly newsletters and the Municipality's website are used to keep the community abreast of the matters pertaining to the Municipality.

5. GOVERNANCE

The restructuring that started in the 2006/07 financial year was finalised. All departments have executive managers and all critical positions were filled with more emphasis being placed on the local economic development wing. The audit committee is in place. The internal audit services are rendered by Gobodo Chartered Accountants (SA) on a shared basis with other Municipalities within the district. It is envisaged that this service will be done in-house in the near future.

The IDP and the budget were adopted by Council timeously. The MEC for Local Government & Traditional Affairs, in his comments, commended the Municipality for the quality of its IDP. The SDBIP and performance framework were developed and the performance management system is in process of being cascaded to all municipal employees. All section 57 managers signed performance contracts.

6. FINANCIAL MANAGEMENT

The restructuring of the Finance Department resulted in the staff increase from eight to fifteen and performance has improved profoundly as such an improvement was acknowledged by the Provincial Treasury and Auditor General. Bearing in mind that the municipality had multiple disclaimers of opinion by the Auditor general, realistically no improvement could be good enough to move the municipality from this position to an unqualified audit report within a year. The movement that could at best be achieved is from a disclaimer of opinion to a qualified audit report. While this marks a move in the right direction, it is nowhere near enough. The major challenge is the development of systems and processes to engender and sustain efficiency and effectiveness in the functioning of the municipality as well as the introduction of a performance – driven culture among employees.

The root causes for the issues that gave rise to the qualified audit report relate to control environment and concomitant activities as well as monitoring. Specific areas of concern include:

1. Incomplete asset register

Corrective action will be undertaken as advised by the Auditor – General which action is covered in the management letter and the Audit Committee report.

2. Receivables, payables subsidiaries and Joint Ventures, Taxes and VAT and corresponding figures.

All the above matters relate to uThukela Water. It is hoped that with the proposed measures discussed under water and sanitation, these issues will be substantially addressed. It can however not be said with certainty that they will all have gone away during the next six months and it is likely that the residual thereof will colour the next years financial statements.

3. Government grants

This matter is being addressed and on organisational capacity has been developed to ensure that this situation is improved.

CONCLUSION

Certainly service delivery is improving and the targets set in the IDP were met. However the turn around time of uThukela Water remain a big problem, the resolution of which will put the District Municipality in a good position in terms of sustainable service rendering, good governance, and proper asset and resource management.

At the end I would like to thank His Worship the Mayor, Speaker, Executive Committee, Council, management and staff for their dedication which resulted in the improvements we have seen. Equal thanks go to the service providers, our sister municipalities within the district, our internal auditors and Audit Committee Members, private sector and public sector for the role they played in an effort to improve the functioning of uMzinyathi District Municipality. Lastly, my gratitude goes to the KZN Department of Local Government & Traditional Affairs for their steadfast technical and financial support.

UNWELE OLUDE!

CHAPTER 1: INTRODUCTION AND GENERAL INFORMATION

1.1 BRIEF OVERVIEW

The uMzinyathi District Municipality (DC24) is one of the ten districts in KwaZulu-Natal. The Municipality is bordered in the north by the aMajuba Municipality, in the west by the uThukela Municipality, in the south west by the uMgungundlovu Municipality, in the south east by the iLembe Municipality and in the east by uThungulu Municipality.

The district consists of four Local Municipalities, namely:

- eNdumeni (KZ 241)
- Nquthu (KZ 242)
- Msinga (KZ 244)
- uMvoti. (KZ 245)



The municipal area is 8079 km² and has extensive grasslands in the north supporting the primary agricultural sector based on cattle ranching for beef, small scale sheep and mixed farming and maize cultivation. In the southern areas substantial forestry is prevalent. Sugar cane and smaller scale fruit farming such as avocado and kiwi fruit cultivation also occur.

Mineral deposits found in the district include coal and metal ores. Only coal was mined on a large scale in the eNdumeni Municipality. The coal mining industry is undergoing a restructuring process. There is a decline in corporate interest in the industry, however there is interest in the small scale regeneration of the coal belt for SMME development. A small amount of stone quarrying occurs in the district. Within eNdumeni Local Municipality, Dundee has the main economic activities ranging from retail trade, tourism and farming. Dundee is a centre from which tourism based on the cultural heritage of the Zulu Kingdom and “Battlefields” is emphasised and managed to some extent, and there is also Glencoe which serves as a secondary centre to Dundee.

uMzinyathi Municipality, in conjunction with its north western neighbour aMajuba Municipality, is branded as the “custodian” of the “Battlefields region of the Zulu Kingdom”. The “Battlefields of the Zulu Kingdom” are located in the hinterland and lie “in the shadow” of the majestic Drakensberg mountains spanning the western boundary of KwaZulu-Natal. This branding is of international and regional significance. In conjunction with the Beaches of the South and North Coast and Big Five Game attractions in the East of KwaZulu-Natal, the “Battlefields of the Zulu Kingdom” form a vital role in the spatial economy of the province from a tourism perspective. However, within uMzinyathi, the range of battlefields attractions is not adequately harnessed for their job creating opportunities across the municipality.

The main town in the uMvoti Municipality is Greytown. It is the agricultural centre of the district and contributes substantially to the economic viability of the district. Nquthu and Msinga Local Municipalities are rural based subsistence economies with cultural heritage areas that attract some tourists but need to be substantially developed. The main towns are Nqutu, Pomeroy and Tugela Ferry.

The topography of the district is characterised by extensive variation with deep river gorges, rolling grasslands, extensive wetlands, hills and valley bush-veld. These characteristics make the development of infrastructure difficult and costly particularly in the steep terrain. The general slope of the land is between 1:5 and 1:6 and it is susceptible to soil erosion where it is not carefully managed.

1.1.1 Population, Density, Gender and Health- Spatial Implications

According to 2001 Census, the Umzinyathi District Municipality has a population of 456 468 and the breakdown per local Municipality is as follows:

Local Municipality	Population	Households	% of Total
Endumeni	51,105	12,280	11.20
Nquthu	145,036	25,660	31.77
Msinga	168,037	32,507	36.81
uMvoti	92,290	19,672	20.22
Umzinyathi	456,468	90,117	100.00

In February 2007, Stats SA conducted the Community Survey which was undertaken to bridge the population gap between 2001 and 2011, the main objectives of the survey are as follows:

- provide data at lower levels of geography (at district and municipal level) in addition to national and provincial levels;
- build human management and logistical capacity for Census 2011; and
- provide primary data as a base for population projections.

According to the 2007 Community Survey, Umzinyathi District Municipality has the population of 495,737 which shows a low increase as compared to 2001, and the breakdown is as follows:

Local Municipality	Population	% of Total	Households
Endumeni	54,447	11% of the district	13,755
Nquthu	164,887	33% of the district	32,169
Msinga	161,894	33% of the district	32,592
uMvoti	114,509	23% of the district	26,019
Umzinyathi	495,737	4.8% of the province	104,535

Though the Community Survey provides the population information which can be relied upon while waiting for the full census to be undertaken in 2011, it has a shortfall as it does not provide information at a ward level which is crucial for the municipalities for planning purposes.

1.2 VISION, MISSION AND CORE VALUES

1.2.1 Vision

“uMzinyathi District Municipality shall be a self sustainable organization that promotes integrated development”

1.2.2 Mission

uMzinyathi shall be a dynamic and effective District which:

- Strives to achieve financial, eco-social sustainability;
- Supports co-operative governance through participation;
- Commits itself to deliver services according to its constitutional mandate;
- Supports poverty alleviation through job creation; and
- Preserves its cultural and natural heritage

1.2.3 Core Values

- Integrity;
- Transparency;
- Professionalism
- Co-operation;
- Innovation; and
- Accountability

1.3 OVERVIEW OF THE LOCAL MUNICIPALITIES WITHIN UMZINYATHI DISTRICT MUNICIPALITY

a. Endumeni Local Municipality

- Main town is the Commercial centre Dundee;
- Most diversified economy;
- Commercial cattle farming and dairy production; and
- Centre of the Battlefields tourist region.

b. Nquthu Local Municipality

- Main town is Nquthu;
- Entirely rural region; and

- Subsistence agriculture is the main activity in the area.

c. Msinga Local Municipality

- Main towns are Pomeroy and Tugela Ferry;
- Densely populated mountainous and rocky region; and
- Rural region with subsistence farming.

d. uMvoti Local Municipality

- Main town is the commercial centre Greytown;
- High potential farm land and low population density; and
- Strong in crop production and forestry.

CHAPTER 2: PERFORMANCE HIGHLIGHTS

COUNCIL PERFORMANCE MEASURED AGAINST THE FIVE NATIONAL KEY PERFORMANCE AREAS

2.1 KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

2.1.1 WATER AND SANIATION PROJECTS

During 2007/08 financial year, the municipality prepared Implementation plans according to the National Key Performance Areas of the five year strategic Local Government Agenda, the implementation plans indicates the target for the municipality, baseline line information of the year under review and also the performance targets:

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2006/07)	IDP Target (2007/08)	Performance Target (2007/08)	Performance Target (2008/09)
Basic Service Delivery and Infrastructure Investment	Water	To provide a basic level of water service to all households	% of the households with access to a basic level of water service	(100 098 hh) 74 779 hh (75%) had no access to water 25 319 hh (25%) had access to water	14% of 74779 hh, which is 10 469 hh	4645 hh (5%) were provided with water 29 964 hh (30%) had access to water during 2007/8	4,5% (3156hh) of 70134 to be provided with access to water

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2006/07)	IDP Target (2007/08)	Performance Target (2007/08)	Performance Target (2008/09)
Basic Service Delivery and Infrastructure Investment	Sanitation	To provide a basic level of sanitation service to all households	% of the households with access to a basic level of water service	(100 098 hh) 67 657 hh (67%) had no access to sanitation facilities 32 441 (32%) had access to sanitation facilities	9% of 67 657 hh, which is 6089 hh	3412 hh were provided with sanitation facilities which forms 4% 35 853 had access to sanitation facilities at the end of 2007/08 fy which forms 36%	2% (1285 hh) of 64 245 hh to be provided with sanitation facilities

During 2007/08, Umzinyathi District Municipality received an allocation of R75,135,914.65 from DPLG to implement MIG projects. The municipality intended reducing the current backlog of 74% in relation to water and 68% in relation to sanitation by 20%. Most of the water and sanitation schemes which are being implemented by the municipality are aimed at laying infrastructural foundation as they are new projects providing communities with access to water and sanitation. According to the backlog study prepared by Jeffares and Green (Pty) Ltd, it states that it will take approximately 28 years to address the current backlog at a cost of approximately R1.37 billion, this is in relation to the MIG allocation being received by the municipality. It must also be noted that 25% of the MIG projects undertaken by the municipality are EPWP compliant.

No	Local Municipality	Ward Number	Number of Households	Project Name	Project Budget	Expenditure
1.	Umzinyathi DM	All Wards		Rudimentary - Umzinyathi	37,438,987.00	R8,394,117.16
2.	Umzinyathi DM	All Wards		PMU	2,479,485.18	R1,716,152.32
3.	Nquthu	5 & 8	1,259	Ndindindi Phase 3 (Water Supply Scheme)	6,490,933.00	R 66,615.28
4.	Mvoti	4, 5 & 14	3,700	Ophathe - Water	21,490,780.00	R 5,887,126.20
5.	Msinga	3,6,11,12 & 13	100	Sampofu Msinga Sanitation Phase 2 VIP	4,225,780.00	R 0.00
6.	Msinga	9,8 & 16	1,728	Keates Drift Sanitation	5,501,987.00	R 0.00
7.	Nquthu	9	20,499	Vant's Drift Water Supply	833,172.00	R 0.00

No	Local Municipality	Ward Number	Number of Households	Project Name		Expenditure
8.	Nquthu	4	1,300	Amangwe Buthanani - Isandlwana Phase 1&2	4,343,861.00	R121,600.00
9.	Nquthu	1,2 & 4	740	Hlajakazi Water Scheme Phase 1 - Isandlwana	18,720,577.00	R 7,007,724.23
10.	Mvoti	11	433	Makhabeleni Water Supply Phase 3	7,121,044.00	R 0.00
11.	Nquthu	2,5,14 & 15	3,360	KwaJama Household Sanitation	11,134,631.00	R 6,448,402.06
12.	Msinga	6 & 11	532	Othame Sanitation	5,677,358.00	R 1,864,812.90
13.	Mvoti	9	3,976	Mbuba-Ward 9 Sanitation	11,899,768.00	R1,038,800.49
14.	Msinga	12,13 & 14	370	Mthembu West - Tugela Ferry	15,532,246.92	R5,132,324.53
15.	Msinga	3,4 & 5	558	Mazabeko (Ngubukazi) Water Scheme Phase 1	543,615.00	R 0.00
16.	Nquthu	1	1,763	Qhudeni Water Scheme	24,460,408.00	R 9,701,424.43
17.	Mvoti	8	901	Eshane Water Supply Scheme Phase 1	219,532.00	R 0.00
18.	Nquthu	10	1,133	Ntanyadlovu/Ngwetshana Water Scheme	6,985,682.24	R619 567.19
19.	uMvoti		870	KwaSenge Water Project	114,000.00	R 0.00

No	Local Municipality	Ward Number	Number of Households	Project Name		Expenditure
20.	Msinga	2	933	Pomeroy Sub-Regional Water Scheme	22,311,268.00	R 15,216,281.36
21.	Msinga		1,481	Keates Drift Water Scheme	463,980.00	R70,013.48
22.	Nquthu	7	1,900	Nondweni Town Sewage Disposal	552,797.00	R 0.00
23.	Msinga		1,025	Mbono Water	408,234.00	R 363,582.89
24.	Mvoti		1,481	Ndaya Water	474,067.00	R197 523.01
Total		12	12 531			R 63,846,067.53

The above mentioned MIG projects are multi year and some of them are still ongoing. Amount spent on Water, Sanitation Rudimentary projects during 2007/2008 financial year was R44,262,182.60 for water, R9,473,615.45 for sanitation and R 8,394,117.16 for rudimentary.

- Cost per Capita for Water was R9,529
- Cost per Capita for Sanitation was R2,776.56

During 2006/07 and 2007/08 to some extent, the municipal MIG expenditure was allocated on providing bulk water and less allocation was provided for reticulation, the reason being that there would be no reticulation without bulk. As infrastructure to provide bulk water has been provided, a bit of 2008/09 MIG budget has been provided for reticulation to increase the number of households with access to water thereby adhering to the national RDP standards

The municipality also implemented the rudimentary (borehole) programme during 2007/2008 to ensure that communities with no water schemes as yet have access to water, during the year under review, the municipality spent R 8,394,117.16 which delivered 101 boreholes and the split of boreholes per local municipality is as follows:

Local Municipality	No of boreholes	Average number of households benefited
Nquthu	50	1250
Msinga	32	800
Umvoti	19	475
Total	101	2525

2.1.2 OTHER INFRASTRUCTURE PROJECTS

Through the assistance by the Department of Sports and Recreation and Local Government and Traditional Affairs, the municipality also managed to construct the following projects.

Project Name	Funder	Project Budget	Expenditure	Location
Endumeni Taxi Rank Market Stalls	Dept of Local Government and Traditional Affairs – Corridor Development	R 1 000 000.00	R 858 932.00	Endumeni Local Municipality
Design and management of construction of Inkosi Bambatha Sports Field	Dept of Sports and Recreation	R 1,5 000 000.00	R 1 039 248.00	Umvoti Local Municipality
Design and management of construction of Endumeni Rural Horse Riding	Dept of Sports and Recreation	R 1,5 000 000.00	R 1 474 497.00	Endumeni Local Municipality

2.1.3 SERVICE DELIVERY CHALLENGES

Though the Umzinyathi District Municipality implemented the above mentioned water and sanitation projects, it is still faced by a critical challenge of addressing backlogs in its local municipalities as evidenced by the results of a study executed by Jeffares and Green (Pty) Ltd. Water, sanitation, electricity and refuse backlogs particularly in the rural areas are of concern. Based on the analysis of backlogs of each local municipality, herewith is the table below that indicates the District perspective on backlogs:

WATER, SANITATION, ELECTRICITY AND REFUSE BACKLOGS IN UMZINYATHI DISTRICT MUNICIPALITY	
Backlogs	Percentage
Water	70%
Sanitation	64%
Electricity	75%
Refuse	81%

Source: Jeffares and Green (Pty) Ltd 2007: 6

The communities have to be provided with water and sanitation as per the following RDP standards:

Service	Level of Service
Water	25l/cap/day within a 200m walking distance
Sanitation	Minimum VIP toilet / household

Source: Jeffares and Green (Pty) Ltd 2007: 6

The following breakdown of service backlogs by local municipalities were highlighted by Jeffares and Green (Pty) Ltd in the study:

(I) Endumeni Local Municipality

This Local Municipality is unique, its population is predominantly urbanised or based on commercial farms. Unlike the other Local Municipality there is no tribal authority land and hence the backlog is comparatively low.

Endumeni	Water	Sanitation	Electricity	Refuse
Served	6329	10382	8615	9279
Not Served Backlog	6494	2441	4208	3544
Total	12823	12823	12823	12823
Backlog	50.7%	19.0%	32.8%	27.6%

Source: Jeffares and Green (Pty) Ltd 2007: 6

(II) Nquthu Local Municipality

Nquthu Local Municipality is typical amongst the three within the District Municipality, rural and largely tribal authority local municipality where the population is largely composed of previously disadvantaged and relatively dispersed communities. Services are scarce and often at rudimentary levels i.e. lower than the defined minimum level of service. The levels of backlogs in this Local Municipality tend to be high when compared with those in the urbanised areas.

Nqutu	Water	Sanitation	Electricity	Refuse
Served	8243	8767	5057	2775
Not Served	23904	23380	27090	29372
Backlog				
Total	32147	32147	32147	32147
Backlog	74.4%	72.7%	84.3%	91.4%

Source: Jeffares and Green (Pty) Ltd 2007: 6

(III) Msinga Local Municipality

Owing to its rugged terrain Msinga's population is relatively dispersed and where services exist, they are concentrated along road infrastructure and water sources such as the Tugela River. Service backlog is high notwithstanding significant interventions put in place to address them.

Msinga	Water	Sanitation	Electricity	Refuse
Served	2211	3987	2810	839
Not Served	30325	28549	29726	31697
Backlog				
Total	32536	32536	32536	32536
Backlog	93.2%	87.7%	91.4%	97.4%

Source: Jeffares and Green (Pty) Ltd 2007: 6

(IV) uMvoti Local Municipality

This LM is comprised of urban areas, commercial agricultural areas and tribal authority areas all of which exhibit typical characteristics associated with these settlement types. Service levels in urban areas are high except for informal areas. In commercial agricultural areas they are relatively high as farmers provide their own services while in tribal authority areas they are low to

moderate. Thus backlog levels tend to average out in this LM which tends to skew the picture at community level.

Umvoti	Water	Sanitation	Electricity	Refuse
Served	8536	9305	8213	5990
Not Served				
Backlog	14056	13287	14379	16602
Total	22592	22592	22592	22592
Backlog	62.2%	58.8%	63.6%	73.5%

Source: Water Services Development Plan Jeffares and Green (Pty) Ltd 2007: 6

5.1.3 Costs associated with addressing service backlogs

The following table summarises per Local Municipality and per service the approximate cost required to address the current service backlog.

COST OF ADDRESSING SERVICE BACKLOG TO THE MINIMUM LOS	
Place / Service	Costs
Endumeni	
Water	R38,964,000.00
Sanitation	R7,323,000.00
Electricity	R17,884,000.00
Refuse Site	R2,923,800
Refuse Collection (per annum)	R297,696
Total	R 67,392,496.00
Nquthu	
Water	R143,424,000.00
Sanitation	R70,140,000
Electricity	R115,132,500.00
Refuse Site	R24,231,900.00
Refuse Collection (per annum)	R2,467,248.00
Total	R 355,395,648.00
Msinga	
Water	R181,950,000.00
Sanitation	R85,647,000.00
Electricity	R126,335,500.00
Refuse Site	R26,150,025.00
Refuse Collection (per annum)	R2,662,548.00
Total	R 422,745,073.00
Umvoti	
Water	R84,336,000.00
Sanitation	R39,861,000.00
Electricity	R61,110,750.00
Refuse Site	R13,696,650.00
Refuse Collection (per annum)	R1,394,568.00
Total	R 200,398,968.00

The study states that it will take approximately a cost of 1.37 billion to address the above backlogs. It is thus a big challenge for the uMzinyathi District Municipality to meet the localised targets of supplying all households with access to clean water by 2008, sanitation facilities by 2010 and electricity by 2012.

2.2 KPA 2: LOCAL ECONOMIC DEVELOPMENT

2.2.1 POVERTY ALLEVIATION INITIATIVE

The district was identified in 2001 as one of the presidential nodes due to its poverty status. Therefore, an Integrated Sustainable Rural Development Programme (ISRDP) was implemented in uMzinyathi which was aimed at transforming social cohesion and stable communities through viable institutions, sustainable economies that will attract, retain skilled and knowledgeable people for growth and development. ISRDP has completed five years of its ten year duration.

Umzinyathi District Municipality is one of the municipalities with the highest poverty rate sitting at 68%, and the poverty gap between poor people and the rich is increasing at an alarming rate. In addressing the immediate need of poverty, the municipality came up with a concept of Mayoral Projects. These projects are aimed at empowering communities to fight against poverty and they ranged from, community gardens, sewing machines, music instruments etc. The details of these projects undertaken during the year 2007/08 are given below:

TYPE OF PROJECT	TOTAL NUMBER OF PROJECTS	COST PER PROJECT GROUP
Agriculture	19 groups	R 332 510.73
Arts and Craft	11 groups	R188 374.00
Business	105	R 1 896 296.30
Wheel Chairs	12 people	R18 000.00
TOTAL		R 2 590 902.94

2.2.2 LED INITIATIVES

During 2006/07 financial year, the municipality managed to form partnership with the Department of Economic Development (Gijima KZN) and Department of Local Government and Traditional Affairs through Corridor Development and Integrated Sustainable Rural Development Programme units.

The implementation of these projects commenced during 2006/07 and overlapped to 2007/08 financial year. The details of the initiatives as indicated in 2007/08 IDP are as follows:

National KPA	Local KPA	Objective	Key Performance Indicator	IDP Target (2007/08)	Performance Target (2007/08)	Performance Target (2008/09)
Local Economic Development	SMME'S	To cater for SMME's (Informal traders)	Developed a database for SMME's	Database for SMME's to be in place by 30 June 2008	The database for SMME's was developed through the study of Integrating SMME'S into the local economy	To create a networking platform for SMME's and also provide training.
	LED	To explore maximum potential of economic sectors within the district	Draft LED strategy in place by 30 June 2008	LED strategy in place by 30 June 2008	Draft LED strategy in place by 30 June 2008	To lobby for funding of flagship projects in the LED strategy
	Agriculture	To promote agriculture within the district	Draft Agricultural strategy in place by 30 June 2008	Agricultural strategy in place by 30 June 2008	Draft Agricultural strategy in place by 30 June 2008	To lobby for funding of flagship projects in the

						Agricultural Strategy
National KPA	Local KPA	Objective	Key Performance Indicator	IDP Target (2007/08)	Performance Target (2007/08)	Performance Target (2008/09)
	Tourism	To explore the Tourism opportunities within the Battlefields region	Draft Tourism strategy in place by 30 June 2008	Tourism strategy in place by 30 June 2008	Draft Tourism strategy in place by 30 June 2008	To obtain funding of flagship projects in the Tourism strategy
	Tourism Signage	To market tourism initiatives	No of signs erected for tourism initiatives	Audit report completed by 30 June 2008	First draft Audit Report completed by 30 June 2008	To erect welcoming signs at the main municipal entrances

More details of the initiatives relating to project budget and status is given below:

Project Name	Funding Source	Project Budget	Expenditure	Project Status
LED Strategy	Gijima KZN	R 522 020.00	R 473 073.00	Completed
Agricultural strategy	Gijima KZN	R 476 130.00	R 58 020.00	Completed
Integrating SMME'S into the local economy	Gijima KZN	R 820 300.00	R 757 095.00	Completed
District Tourism Strategy	DLGTA-Corridor Development	R500 000.00.	R 258 749.00	Near completion.
District Signage project	DLGTA-Corridor Development	R500 000.00	R 89 900.00	The envisaged period for completion is mid December 2008.
Mangeni Waterfall-Nquthu	DLGTA-Corridor Development	R120 000.00	R 96 237.00	Feasibility Study and Business Plan Completed
Kwakopi Curio Shop- extension- Msinga	DLGTA-Corridor Development	R300 000.00	R 158 123.00	Incomplete due to insufficient funding, additional funding is being lobbied.
Muden Arts & Craft- uMvoti	DLGTA-Corridor Development	R120 000.00	R 66 525.00	Feasibility Study and Business Plan Completed
Eqhudeni Agribusiness-Nquthu	DLGTA – ISRDP Unit	R150 000.00	R 120 807.00	Feasibility Study and Business Plan Completed
Agriculture Packhouse- Msinga	DLGTA – ISRDP Unit	R150 000.00	0	In progress
Stone Crushing Plant-Msinga	DLGTA – ISRDP Unit	R150 000.00	0	In progress
Bee & mushroom Farming-uMvoti	DLGTA – ISRDP Unit	R150 000.00	R 39 275.00	Abandoned as project was not feasible.

The municipality successfully completed most of the above mentioned initiatives during 2007/08 financial year, these initiatives are yet to yield positive results in terms of having the economic impact. They will assist the municipality and its partners in making well informed decisions in terms guiding future financial investment which will result to a better improvement of the living conditions for the communities.

2.3 KPA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Umzinyathi District Municipality has prepared and finalised the annual financial statements for 2007/2008 which indicate progress when compared with the last financial year. The municipality successfully reviewed the IDP and Budget, and also approved the organizational structure in order to improve its operational capacity. The revised structure contributed positively to the organization especially the finance department which was under resourced, but now have a full staff complement to take charge of financial management.

The following is the financial performance of the municipality during 2007/08 financial year and also provide projections for 2008/09 and 2009/10 financial year:

2.3.1 Planned Expenditure versus actual expenditure for Water services as at 30 June 2008

Revenue	Actual 2007	Actual 2008	Budget 2008	Budget 2009
Government Grants	62 831 609	164 083 972	153 334 000	199 074 000
Water Sales	16 234 868		15 876 000	19 000 000
Other	5 543 874	9 602 057	4 095 300	6 863 800
Total Revenue	84 610 351	173 686 029	173 305 300	224 937 000

2.3.2 Uthukela Water Revenue as at 30 June 2008

Revenue	Actual 2007	Actual 2008	Budget 2008	Budget 2009
Government Grants	23 435 193	34 647 000	35 296 000	40 294 917
Water Sales	16 234 868	15 800 784	15 876 000	16 828 560
Other	1 374 550	1 678 775	1 500 000	1 590 000
Total Revenue	41 044 611	52 126 559	52 672 000	58 713 477

2.3.3 Planned Expenditure versus actual expenditure by item as at 30 June 2008

Expenditure	Actual 2007	Actual 2008	Budget 2008	Budget 2009
Salaries, Wages, and Allowances	12 505 520	14 056 530	17 425 387	23 572 913
General Expenses	48 254 638	48 966 599	66 076 151	67 724 889
Repairs and Maintenance	590 752	855 930	768 500	1 412 700
Capital Charges	679 513	675 949	1 037 000	834 203
Contribution to fixed assets	25 554	229 628	301 000	5 323 174
Contributions to funds and reserves	6 062 978	93 754 044	87 576 909	126 069 921
Total Expenditure	68 118 955	158 538 680	173 184 947	224 937 800

2.3.4 Planned Expenditure versus actual expenditure for Water Services as at 30 June 2008

Expenditure	Actual 2007	Actual 2008	Budget 2008	Budget 2009
Water services expenditure	35 003 082	44 040 884	48 435 886	51 342 039
Total	35 003 082	44 040 884	48 435 886	51 342 039

2.3.5 Operating and Capital Budget for 2007/08, 2008/09 and 2009/10

	2007/08	2008/09	2009/10
Salaries and Wages	17 425 387	23 572 913	25 350 739
General Expenses	66 076 151	67 724 889	84 743 333
Repairs and Maintenance	768 500	1 412 700	1 479 097
Cap Ex Revenue	301 000	5 323 174	5 562 894
Loan Charges	1 037 020	834 203	873 412
Contribution	7 720 909		
Sub-Total Operating Budget	93 328 967	98 867 879	118 009 475

2.3.6 Operating and Capital Budget for 2007/08, 2008/09 and 2009/2010

	2007/08	2008/09	2009/10
Municipal Funded – administrative	301 000	2 333 174	2 125 934
Municipal Funded – Community Infrastructure		3 000 000	3 224 760
DWAF		12 000 000	11 419 000
MIG – Water and Sanitation	79 554 980	88 630 000	107 218 000
Other Conditional Grants and Contributions		20 106 747	19 951 203
Sub Capital Budget	79 855 980	126 069 921	143 938 924
Total operating and Capital Budget	173 184 947	224 937 800	261 948 399
Percentage Increase	18%	30%	16%

2.3.7 Capital Grants Dependency

2007/08	2008/09	2009/10
<u>79 554 980 x 100</u>	<u>109 508 826 x 100</u>	<u>123 123 106 x 100</u>
79 855 980	126 069 921	131 512 042
99.6%	86%	77%

2.3.8 Operating Grants Dependency

2007/08	2008/09	2009/10
<u>73 478 000 x 100</u>	<u>73 004 079 x 100</u>	<u>107 705 956 x 100</u>
93 449 300	98 867 879	136 175 005
79%	74%	79%

2.4 KPA 4: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

2.4.1 COUNCIL

Umzinyathi District Municipality has 23 Councillors and they represent the interest of their respective Local Municipalities. The term of office for a Councillor is five years and ends when the next Council is declared elected. Councillors are accountable to their respective communities and must report back to their local municipalities on developmental issues discussed at a district level.

2.4.2 POLITICAL BEARERS

(1) Mayor

The Mayor of Umzinyathi District Municipality is the Chairperson of the Executive Committee. The duties include providing guidance to the Executive Committee, performing any ceremonial activities and exercise of powers delegated by the Council or Executive Committee.

(2) Speaker

The Local Government Municipal Structures Act provides that each municipal Council must have a Chairperson called the Speaker. The Speaker is elected by the Council from among the Councillors at the first sitting of the Council after Local Government elections.

The Speaker acts as a Chairperson at Council meetings and ensures compliance with the Council's code of conduct, rules and orders. He also ensures the proper functioning of the legislative side of the Council.

2.4.3 ADMINISTRATIVE STRUCTURE

In order to implement the programmes under the Five year strategic local government agenda, the administration of Umzinyathi District Municipality is organised into four departments and the Office of the Municipal Manager:

- Department: Technical Services;
- Department: Financial Services;
- Department: Planning and Social Development; and
- Department: Corporate Services.

The breakdown of the Departments in terms of the functions which are being performed is as follows:

2.4.3.1 Office of the Municipal Manager

It is the responsibility of the Municipal Manager as "Accounting Officer" to:

- Promote sound financial management throughout the municipality;
- Be responsible for all income and expenditure, all assets and the discharge of all liabilities;
- Ensure compliance with the Municipal Finance Management Act (MFMA) No. 56 of 2003;
- Prevent fruitless and wasteful expenditure;
- Disclose all information on debts
- Ensure the development and implementation of the Integrated Development Plan (IDP), which consists of five development strategies upon which the annual budget is based.

2.4.3.2 Department: Financial Services

The Department: Financial Services consists of four sections:

- Income and Expenditure,
- Procurement;
- Budgeting;
- Financial Reporting; and

- Internal Auditing.

2.4.3.3 Department: Technical Services

The Department: Technical Services consists of four sections:

- Municipal Infrastructure Implementation;
- Municipal Infrastructure Operations and Maintenance;
- Water Service Authority; and
- Community Facilitation

2.4.3.4 Department: Planning and Social Development

The Department: Planning and Social Development consists of the following sections:

- Local Economic Development / Tourism;
- Integrated Development Plan / Performance Management System;
- Geographic Information System;
- Disaster Management;
- Environmental Health;
- Local Economic Development;
- Social Development (youth, gender, women, disabled, sports, etc)
- Planning related issues; and
- Supporting unit through Independent Development Trust and Department of Environment Affairs and Tourism.

2.4.3.5 Department: Corporate Services

The Department: Corporate Services consists of the following sections:

- Public Relations;
- Human Resources;
- Legal Services;
- Administrative Services;
- Information Technology;
- Fleet Management; and
- Security for the building

2.4.4 COMPLIANCE CHECKLIST

The municipality managed to prepare and adopt policies during 2007/08 financial year to enable the execution of duties effectively, the policies which were put in place are as follows:

ITEM	STANDARD PROVINCIAL INDICATOR/MUNICIPAL PERFORMANCE INDICATOR	In Place	In process /review	No progress	COMMENTS		
Core administrative policies, plans, procedures, systems and frameworks developed in municipalities	Legally compliant Employment Equity Plan	Yes					
	Workplace Skills Development Plan (staff other than Sec 57)	Yes					
	Recruitment policy	Yes					
	Legally compliant Supply Chain Management policy	Yes					
	Budget policy		In process				
	Indigent support policy		In process				
	Credit control and debt collection policy		In process				
	Bank and investment policy	Yes					
	Asset and Liability management policy				Asset register in place		
	Tariff policy				Its being undertaken by the Water services provider		
	Risk management policy		In process				
	Revised bylaws		In process				
	Standing operating procedures and administrative delegations	Yes					
	Anti-corruption Strategy and structures		In process				
	Internal and Financial and Performance Auditing structures and systems	Yes					
Public Consultation and Participation Framework	Yes						
Competency Frameworks	Competency Framework developed for the Administration	Yes					
	Competency Framework developed for the Council		In process				
Implementing organograms	Approved Organogram	Yes					
	Municipal organogram aligned to allocated and assigned powers and functions	Yes					
	number total posts vacant at the end of the financial year (information to provided: number vacant posts/ number of post on organogram, eg 20/100)	Number	16			Most of the vacant posts will be occupied during 2008/09 financial year	
	municipal manager post filled at the end of the financial year (EXCLUDING acting and not suspended)		In process				
	municipal manager post occupied occupied by PDI						
	municipal manager post occupied by women						
	Senior management (Section 57 only) posts filled at the end of the financial year (EXCLUDING acting and not suspended)	POST	filled	vacant	advertised	if filled, occupied for how many months in the year	if filled, occupied with the same person/ not

	Municipal Manager		Acting				In process
	Monitoring and Evaluation (Performance Management)	Filled					
	Financial Management	Filled					
	Technical Services	Filled					
	Local Economic Development	Filled					
	Community Services						Does not exist in the organogram
	Corporate Services		Acting				
	Development Planning	Filled					
	IDP Manager	Filled					
	Communications Manager	Filled					
	number senior management posts (Section 57 only) occupied by PDI	numbers must exclude the Municipal Manager position (information to provided: number women Sec 57 occupants/ number of Sec 57 post on organogram, eg 1/5)	Number	4			
	number senior management (Section 57 only) posts occupied by women		Number	1		Acting capacity	
	number senior management posts (Section 57 only) occupied by disabled		Number	0			
	number senior management (Section 57 including the MM) concluded and submitted performance agreements in terms of Section 57 Regulation eg 2 out of 7 Sec 57		Number	5			
Financial Management	Revenue Raising Strategy developed			In process			
	Ratio of Operating & Maintenance, Salaries and Capital budget (in R)	Original approved budget	operating 93 328 967	capital 79 855 980	salaries 17 425 387		
		Adjusted Budget	93 328 967	79 855 980	17 425 387		
		Actual Expenditure	83 145 023	75 490 718	14 056 530		
		Grant dependency	actual amounts in R's	Own income 9 849 118	Equitable share 68 682 928	Govt grants 94 751 044	Loans/ Borrowings 2 334 776
	Debt Recover Plan developed			In process			
	Approved budget by end of June		Yes				
	Service Delivery Budget Implementation Plan (SDBIP) approved by July		Yes				

	Submission of annual financial statements to the Auditor General by August	Yes			
	Results of Auditor General 07/08 audit (mark the appropriate block)	Unqualified			
		Qualified	Qualified audit report		
		No Opinion			
		Disclaimer			
	Functional billing system in place				Not applicable – Uthukela Water
Municipal Property Rates Act	Property Rates Policy				Not applicable
	Valuation Role				Not applicable
Basic Services	Backlog study completed and verified by Statistics South Africa				Backlog study concluded but not yet verified with Stats SA
	Municipal Infrastructure Implementation Strategy for 5 years				Its in place as part of the MIG programme aligned to the IDP
	Indigent Register				Utilize the one of the local municipalities
	Housing Strategy to eradicate informal settlements				Not applicable to DM's
Good Governance	Consultation and Public Participation Framework in place	Yes			
	Customer Complaints system				In process
	Traditional Leadership consultation and participation programme	Yes			Its part of the Consultation and Public Participation Framework in place
	Conducted customer satisfaction surveys				In process
	HIV/AIDS strategy developed				In process
	Adopted Community Development Worker Frameworks				Not applicable to DM's
	Adopted Section 53 Framework in terms of the MSystemsA adopted by Council		In process		
	District Coordinating Forum (DCF) established and operational	Yes			
	District Technical Forum established and operational	Yes			
	07/08 Annual Report adopted				In process
	07/08 Annual Performance Report				In process
	Council adopted 07/08 Oversight Report				In process
	Functional Audit Committee	Yes			
Functional Performance Audit Committee	Yes				
IDP adopted by end June	Yes				
Local Economic Development	LED programme developed				In process of being adopted by Council
	Poverty alleviation programme adopted				Its part of the LED strategy

2.4.5 AUDIT COMMITTEE

During the financial year under review, the municipality was also able to establish the Audit Committee as required in terms of section 166(6)(a) of the Municipal Finance Management Act 56 of 2003 for the entire district subject to each local municipality taking a resolution to that effect.

The broad objectives of the committee are as follows: -

- Maintaining oversight responsibilities of all financial and performance reporting;
- Seeking reasonable assurance that the operations of the municipality are conducted efficiently and effectively;
- Seeking reasonable assurance that the Council has developed and complies with its policies, plans, procedures and internal controls.
- Seeking assurance that the Council complies with relevant legislation, regulations and professional pronouncements;

2.4.6 INTERNAL AUDITORS

In order for the Audit Committee to meet the broad objectives, the municipality appointed the Internal Auditors to assist in attending to internal audit matters prior to submission to the Audit committee; the responsibilities of the Internal Auditors, amongst others are as follows:

- Review the Internal Audit Charter;
- Review the annual risk based plan and the internal audit program; and
- Ensure that all identified risk areas are prioritized and incorporated in the annual internal audit plan.

2.5 KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

2.5.1 AUTHORITY MAKING MODEL

In terms of making decisions within the municipality, the following structures are being utilised:

- Council
- Executive Committee
- Council Committees.

2.5.2 STAFF COMPLEMENT

During 2007/08 financial year, the municipality approved the organizational structure aligned to the IDP in order to improve its operational capacity. The revised structure contributed positively to the organization in terms of service delivery. At present, the municipality has a staff complement of 62 employees as opposed to 50 employees during 2006/07 financial year. The approved structure of the municipality has 78 posts of

which 16 of them are currently vacant but processes of getting the vacant posts filled are underway.

2.5.3 OCCUPATION AND GENDER EQUITY ANALYSIS

An analysis of the staff by gender and occupation has been undertaken. The analysis applies to the staff distribution excluding the new posts to be filled since gender and employment equity needed to be considered in relation to the potential candidates for the new positions.

The distribution of staff by occupation, group and gender is shown below:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	04								4
Middle Management	09					01			10
Supervisor and Skilled Technical	15			01	08		01		25
Semi skilled	01				12		01	03	17
Elementary Occupation	02				04				6
Grand Total	31			01	24	01	02	03	62

CHAPTER 3: REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

Introduction

1. I have audited the accompanying financial statements of the uMzinyathi District Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, 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

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 entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the 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. 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.

Basis for qualified opinion

Property, plant and equipment

9. The following deficiencies were identified in the management of the municipality's assets:

- Some assets did not have bar codes, consequently it could not be located in the asset register.
- Assets that were not used and are obsolete were not removed from the asset register.
- Certain assets recorded in the asset register could not be physically located.
- Certain assets selected from the floor could not be traced to the asset register.
- Assets amounting to R115 000, purchased during the year could not be traced to the asset register.

The lack of a proper asset management system was also reported on in 2007 which caused us to disclaim our audit opinion on the financial statements as at 30 June 2007. Consequently, I was unable to obtain sufficient appropriate audit evidence to confirm the existence and completeness of assets amounting to R3,38 million (2007: R3.5 million).

Management Comment

The assets that did not have barcodes are assets purchased for the new financial year 2008/2009 to be included in assets register for 2008/2009. Absolute assets will be taken out of the assets register in 08/09. The list of assets that could not be located has been found and is available for audit. Assets are on the assets register audit will be given a detailed assets register to ratify this in 08/09. A policy with regards to this fixed asset register is being developed to limit the movement of asset without proper authorizing and the asset register will be timeously updated.

Responsible Person : BB Mdletshe

Title : Chief Financial Officer.

Date : 28 February 2009

Receivables

10. I was unable to obtain the supporting documents and reconciliations, considered necessary for my audit, for debtors balances of R2,06 million (2007: R1,6 million) which also recorded no movement since the prior year.

11. Included under debtors was a balance of R7,49 million (2007: R8,14 million) owing from uThukela Water (Pty) Ltd. This entity has not produced financial statements since inception and was therefore unable to confirm the balance
12. The debtors suspense accounts of R270 522 (2007: R315 000) were not cleared at year-end. Furthermore I was unable to obtain the supporting documents and reconciliations considered necessary for my audit to determine the effect on the financial statements had these balances been cleared.

The above issues were reported in 2007 which caused us to disclaim our audit opinion on the financial statements as at 30 June 2007. Consequently there were no satisfactory audit procedures that could be performed to obtain reasonable assurance on the valuation, existence and the municipality's rights and obligation to the outstanding balances in the current year and prior year.

Management Comment

An amount of R2.06 million will be investigated as per audit recommendation and necessary adjustments processed in 2008/2009 financial year.

A provision for bad debt will be raised for the amount of R7.49 million as there is no assurance that the Municipality will receive this amount from UThukela Water.

Debtors suspense amount of R270 522 will be investigated as per audit recommendation and necessary adjustments processed in 2008/2009 financial year.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer.

Date: 28 February 2009

Payables

13. I was unable to obtain the supporting documents and reconciliations considered necessary for my audit, for the creditors balance of R2,40 million (2007: R1,8 million), which also recorded no movement since the prior year. The above issues were reported in 2007 which caused us to disclaim our audit opinion on the financial statements as at 30 June 2007. Consequently, there were no satisfactory audit procedures that could be performed to obtain reasonable assurance on the valuation, existence and the municipality's rights and obligation to these balances in the current year and prior year.

Management Comment

An amount of R2.40 million will be investigated as per audit recommendation and necessary adjustments processed in 2008/2009 financial year.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer.

Date: 28 February 2009

Subsidiaries, associates and joint ventures

14. uThukela Water (Pty) Ltd, the municipal entity appointed as the water services provider for the district, has since inception in 2004 not produced a set of financial statements. Due to the serious financial crisis within this entity resulting in a Provincial intervention in terms of section 139 of the MFMA the municipality was therefore unable to reasonably determine the value of its investment in the entity. Consequently, the financial statements did not include any disclosure in the current and prior year of the investment held in uThukela Water (Pty) Ltd.

Management Comment

All documentation relating to the movement of the UThukela Water control account was provided for the audit.

Entries raised to UThukela Water's Control account originated from UThukela Water monthly report, which were presented for audit.

We will raise UThukela Water Investments by Debiting Uthukela Investment with the assets transferred to Uthukela and Crediting Re-capitalisation Reserve.

Recommendation of the MEC and Auditor General will be implemented in 2008/2009.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer.

Date: 28 February 2009

Taxes and VAT

15. An amount of R7,97 million claimed by uMzinyathi District Municipality with respect to the VAT input for the year ended 30 June 2008 is in dispute with the South African Revenue Service (SARS).

16. Output VAT to the value of R13,26 million claimed by SARS in respect of water sales not declared by the municipality (but declared by uThukela Water) for the period May 2005 to June 2006 is also in dispute.

In addition, no reconciliation has been performed to support the VAT debtor of R29,48 million disclosed in the annual financial statements.

These issues were reported in 2007 which caused us to disclaim our audit opinion on the financial statements as at 30 June 2007. There were no satisfactory audit procedures that could be performed to obtain reasonable assurance regarding the valuation, existence, completeness and the municipality's rights and obligation to the receivable of R29,48 million (2007: R18,75 million).

Management Comment

Vat 201 is compiled as per input and output schedules from the general ledger.

Vat 201 reconciliations are available for audit purposes.

PWC has been appointed to assist with Vat objections and objection supporting documents have been launched with SARS. We await the finalisation on this matter in 2008/2009.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer

Date: 28 February 2009

Government grants

17. Included under unspent conditional grants is an amount of R874 000, for which there has no movement since the prior year. I was unable to obtain the supporting documents and agreements in respect of these grants. Consequently, there were no satisfactory audit procedures that could be performed to obtain reasonable assurance on the valuation, existence and the municipality's rights and obligation to these balances.

Management Comment

An amount of R874 000 will be investigated as per audit recommendation and necessary adjustments processed in 2008/2009 financial year.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer

Date: 28 February 2009

Corresponding figures

18. The auditor's report on the prior period included a disclaimer of opinion. The following matters, although resolved in the current year, were not adjusted in the prior year. As a consequence the affected comparative amounts and opening balances were also either misstated or could not be audited.

- Included in corresponding figures are the operating results for the water services functions for the year ended 30 June 2007 which were incorrectly incorporated into the financial statements in the prior year. As a result income and expenditure for 2007 is overstated by R41 million and R38,7 million respectively.

- Included in the corresponding figures for debtors and creditors are balances relating to the transfer of the water function to uThukela Water (Pty) Ltd which have not been written off. As a result debtors and creditors for 2007 are overstated by R34,2 million and R25,1 million respectively.
- The investment in New Republic Bank was placed under receivership and a confirmation of 45% distribution was confirmed by the joint receiver. However included in investments for 2007 is the full capital balance of R1,5 million. As a result investments are overstated and accumulated surplus is understated by R851 700 in 2007.
- As a result of the errors found with the recording and management of leave transactions and balances, I could not satisfy myself regarding the accuracy of leave balances recorded for each staff. As a result I could not satisfy myself regarding the valuation and completeness of the 2007 leave provision of R813 000.

Management Comment

The corresponding balances changed due to audit recommendation for previous Financial year and these balances were supported and presented to audit. We will monitor this in 2008/2009 and implement the audit recommendations.

Responsible Person: BB Mdletshe

Title: Chief Financial Officer

Date: 28 February 2009

Qualified opinion

19. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements of the uMzinyathi District Municipality as at 30 June 2008 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 and in the manner required by the MFMA and DoRA.

Emphasis of matter

I draw attention to the following matter:

Significant uncertainty

20. In May 2004 the municipality entered into a water services provider agreement with uThukela Water (Pty) Ltd (WSP), together with two other water services authorities. As a result of a material breach of the terms and conditions of the agreement and the serious financial mismanagement within the entity, the MEC of the Department of Local Government has intervened in terms of section 139 of the MFMA. This has created significant uncertainty on the ability of the WSP to effectively carry out the water services function on behalf of the district. At year end the effect of the

intervention on the operations of uMzinyathi District Municipality could not be determined.

Management Comment

We will await recommendation of MEC intervention to resolve the issues of Uthukela Water.

OTHER MATTERS

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

Internal controls

21. 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.

22. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorized according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Property, plant and equipments	✓		✓	✓	✓
Receivables			✓		✓
Payables			✓		✓
Subsidiaries, associates and joint ventures	✓		✓		
Taxes and VAT			✓		
Government grants			✓		
Corresponding figures	✓				✓

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

Management Comments

Internal auditors appointed will assist the Municipality to improve control environment and management will implement audit recommendations.

Non-compliance with applicable legislation Municipal Finance Management Act

23. The municipality did not have a risk assessment committee to develop and implement the risk assessment processes. A formal risk assessment was not undertaken during the year under review and a risk management policy and fraud prevention plan has not been developed in compliance with section 62(1)(c) of the MFMA.
24. The municipality did not have written delegations of authority in place as required by section 79 of the MFMA.

Matters of governance

25. 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
Audit committee		
<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		✓

Matter of governance	Yes	No
<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
Internal audit		
<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		✓
<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		✓
<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
Other matters of governance		
<ul style="list-style-type: none"> The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA). 	✓	
<ul style="list-style-type: none"> The annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 		✓
<ul style="list-style-type: none"> The financial statements submitted for auditing were not subject to any material amendments resulting from the audit. 		✓
<ul style="list-style-type: none"> No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. 	✓	
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 		✓
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> 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. 		✓
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007 detailing progress towards full compliance with GRAP. 		✓
<ul style="list-style-type: none"> 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. 		✓

Unaudited supplementary schedules

26. The supplementary information set out in appendices A to J did 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.

Management Comments

Internal auditors appointed will assist the Municipality to improve control environment and management will implement audit recommendations.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

27. 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

28. 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.

29. 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.

30. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

31. Section 14 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires that the internal auditors review the quarterly and annual performance information reports as part of its annual audit plan. However, the internal auditor at uMzinyathi District Municipality did not review the performance management reports as part of its annual audit plan.

32. The municipality did not have a performance management committee as required by section 14 (1) (c) (ii) of the MSA.

Measurable objectives not consistent

33. I draw attention to the fact that the reporting of actual performance in the performance report is materially inconsistent with the targets and performance indicators included in the integrated development plan (IDP) in that the IDP records a percentage achievement for each key performance area whilst the performance report only documents the municipality's progress to date. The following table highlights the difference:

Strategies	Key performance indicator (General key performance indicators) (IDP)	Target per key performance indicator (performance report) (IDP)	Actual achievement per the performance report
1.1 Drilling of boreholes	Percentage decrease in communities without water	14%	During 2007-08 UMzinyathi District Municipality implemented the MIG projects to the value of R63 956 054,26. The municipality intended reducing the current backlog of 74% in relation to water and 68% in relation to sanitation by 20%. Most of the water and sanitation schemes which were being implemented by the municipality were aimed at laying infrastructural foundation as they were new projects providing communities with access to water and sanitation. According to the backlog study prepared by Jeffares and Green (Pty) Ltd, it states that it will take approximately 28 years to address the current backlog at a cost of approximately R1,37 billion; this is in relation to the MIG allocation being received by the municipality. It must also be noted that 25% of the MIG projects undertaken by the municipality were EPWP compliant.
1.2 Protecting unprotected springs			
1.3 Extension of existing schemes			
2.1 Connection and provision of infrastructure to the bulk water mains	A percentage Of the communities With access to standpipes not more than 200 m away	90%	

APPRECIATION

34. The assistance rendered by the staff of the uMzinyathi 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

CHAPTER 4: REPORT OF INTERNAL AUDITORS

CHAPTER 5: REPORT OF THE AUDIT COMMITTEE

CHAPTER 6: REPORT OF THE OVERSIGHT COMMITTEE

CHALLENGES AND CONCLUSION

• CHALLENGES

Enormous challenges were confronted during the year under review. However, some of the major ones are highlighted on the table below;

Nature of challenge	Problem experienced	Mitigating measure
1. Specialized skills shortages	The District faced critical shortage of specialized skills, such as civil engineering, urban and regional planning, development planning, finance, building construction etc. Consequently projects which required specialized skills or prior feasibility studies could not be done in-house, compelling the municipality to rely on outsourcing them to private service providers.	<p>The District family of municipalities have agreed to join the Shared Services Programme being rolled out by DLGTA. Funding will be provided to engage experts to drive development and planning processes.</p> <p>The agreement with contractors must include skills transfer condition to empower employees.</p>
2. Dependency on external funding	Due to the lack of income generating streams, the municipality did not have own financial reserves to undertake capital projects. As a result, it had to depend on external funding derived from public and private institutions and non-governmental institutions. Conditions were tied to some of this funding giving the municipality little or no room to maneuver, hence found it difficult to address its own priorities.	<p>The municipality continues to endeavor to develop income-generating initiatives.</p> <p>Lobbying for funding from potential financiers is currently being stepped up to finance various business plans.</p>
3. Dispersed settlement Pattern and difficult terrain	The existing dispersed settlement in traditional areas coupled with the mountainous terrain makes it costly and difficult to provide services particularly in rural areas. Infrastructural services have to run for long distances before reaching consumers.	The District is committed to involving itself in spatial planning sessions with the Local Municipalities especially as the new Planning Act is in the process of being implemented.
4. Lack of operation and maintenance	There were no resources to take care of this function as a majority of projects did not cater for it. On the other hand, this is a critical issue which can lead to the collapsing of projects due to the lack of a 'care-taking' programme.	<p>The issue of budgets for operation and maintenance should be considered seriously when planning projects.</p> <p>An intervention on uThukela</p>

		water has been made by the MEC for Local Government to address some of the issues.
5. Inadequate water resource planning	This factor caused many difficulties in the planning and supply of water in the district and was partly as result of lack of human capacity. A result of this situation is low revenue collection.	A panel of consultants has been appointed to review business plans for new projects to ensure that 100% funding commitment.
6. Lack of insufficient funding for bulk supply of water and sanitation	The demand for financial resources has always outstripped supply, hence the problem of failing to wipe all backlogs. Though the total budget required to deal with backlogs is known this is not matched the available funding, creating an endless gap.	Need to prioritize for bulk supplies and to prepare in advance, business plans which can be used to lobby for funding.

- **CONCLUSION**

The Umzinyathi District municipality has, in spite of operating in an environment laden with challenges, managed to make strides in providing services to its citizens as demonstrated in this report. This has been made possible with the efforts and contributions by the public and private institutions, government agencies and the communities at large.

The challenges highlighted above still exist and have spilled into the following financial year. Included in this basket are issues like huge service backlogs, poverty, unemployment, HIV/AIDS, underdevelopment, high illiteracy levels, to name a few. It should be clear in the mind of every individual group, corporate business, governmental and non-governmental organisations that there is still a long way to go before we can achieve the desired goals of socio-economic development and improved standard of living. This can only be possible with everybody's full commitment and participation through the Integrated Development Plan. Thus every year would be viewed as a giant step towards the achievement of the Provincial and National development goals.