



ANNUAL REPORT

2008/2009



uThukela District Municipality Vision:

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

uThukela District Municipality Mission:

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

Developmental Aspects:

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





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Mayoral Foreword



**Cllr. S.M. Sithole
His Worship the Mayor
uThukela District Municipality**

It is a pleasure once again to present the 2008/2009 annual report for the uThukela District Municipality. This is a point in time when we look back and weigh ourselves on how have we progressed in our mission to provide quality services and development in an effective, sustainable and cost effective manner. Striving to the best of our ability to achieve our mission was not without challenges, as is evident in increased spending on dilapidated infrastructure inherited from local municipalities and the global and national economic challenges, which is resulting in job losses and in turn poses a serious threat to the financial sustainability of our municipality.

However, there are attempts which have been started in this financial year to refurbish water and sewage works across uThukela. Apart from the above, other challenges are related to the non-cooperativeness of other organs of state, particularly at local government sector and people who tamper with our schemes. It is regrettable that out of all cases opened in this regard no perpetrators have been brought to book. Without the support of the SAPS, Council will not be in a position to implement its by-laws. I hope that this will change in the ensuing years as the council will not be in a position to collect its dues without their cooperation. Should that not be the case, services will collapse.

Having mentioned the above, the Council has been most successful in conducting its work as planned in 2008/2009. Essential services were, without any formidable interruptions, provided to our communities within the uThukela District Municipality. We have been able to increase the number of people who have first time access to services which they have never had before. In all our actions we made certain that the quality was not compromised.

I am glad to mention that we need to commend our management for yielding such positive results within this challenging environment. Surely our communities benefited a lot during this financial year although there is still a long way to go towards addressing the backlogs in their needs, such as water and sanitation services.





Concluding I would like to express appreciation for the co-operation experienced between the Local Municipalities and the District Municipality. I am more than confident that with this kind of contribution from our officials as well as councillors serving in the uThukela District Municipality we will be able to cope with future challenges.

It is therefore my heartfelt wish that the co-operation and this spirit of co-operative governance persist even beyond the 2008/2009 financial year. I therefore hereby present our Council's Annual Report for the 2008/2009 financial year.

COUNCILLOR S.M. SITHOLE
MAYOR





Municipal Manager's Statement



**Mr. SSB Nkehli
Municipal Manager**

The 2008/2009 financial year proved to be the most challenging for uThukela District Municipality. As it can be seen the income section was crowded with serious issues surrounding the recovery of revenue. Some of it inherent to the job losses and increasing number of residents falling within the category of indigents, whereas others are due to the Global Financial Crises, which has impacted residents across the board. This has indeed affected the look of our financial statements as debtors were increasing rather than decreasing.

Despite all these challenges, with the cooperation of both staff and councillors, we were able to deliver and address the needs of our communities. It is worth mentioning that our Municipality has once again achieved 100% Municipal Infrastructural Grant fund spending in this financial year and was also able to rated credible the Province of KZN in terms of the Integrated Development Plan.

However, continuous job losses are a challenge facing the sustainability of services provided by the municipality. The Municipality is continuing its search for funding to address issues related to the renewal of the dilapidated water and sanitation infrastructure as a result of ageing; the upgrading of our water and sewage plants since currently they are operated beyond capacity as they were not designed to meet the growing demand as the number of communities gaining access to our water and sanitation services are increasing day by day; as well as the operation and maintenance of the functioning infrastructure. Should this not be addressed, a time will come where our taps will not even drizzle especially in the higher level areas of our district. The financing of such challenges should be through charging for services if not from somewhere else. This is impossible in a situation whereby the majority of residents cannot afford to pay for services due to unemployment.

Negotiations are continuing with other spheres of government to assist in the above matter. In partnership with the Department of Water Affairs and Forestry a joint water conservation pilot programme has also been completed at Ezakheni where communities were made aware that water is a scarce resource.





In conclusion I would like to express our gratitude to those residents who have honoured their obligation to pay for services as well as officials and councillors for their contribution in this municipality's success during the 2008/2009 financial year. It is therefore a pleasure to present a report on the performance of various departments in the 2008/2009 financial year.



S.S. NKEHLI
MUNICIPAL MANAGER

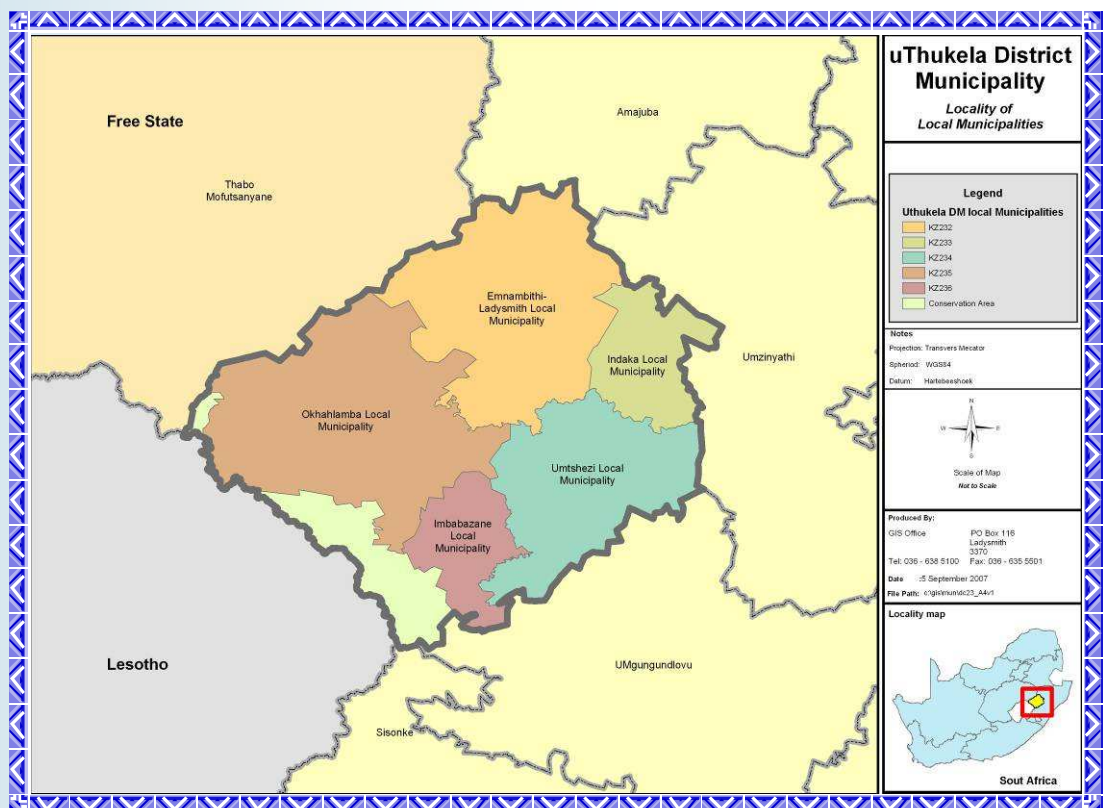




Introduction and Overview

The uThukela District Municipality is one of 10 district municipalities within KwaZulu-Natal, with an area of 11,329.065 km². It is located along the western boundary of KwaZulu-Natal, wedged between the boundaries of the Kingdom of Lesotho and the Free State Province. The district consists of five local municipalities and one District Management Area (DMA), namely:

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



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





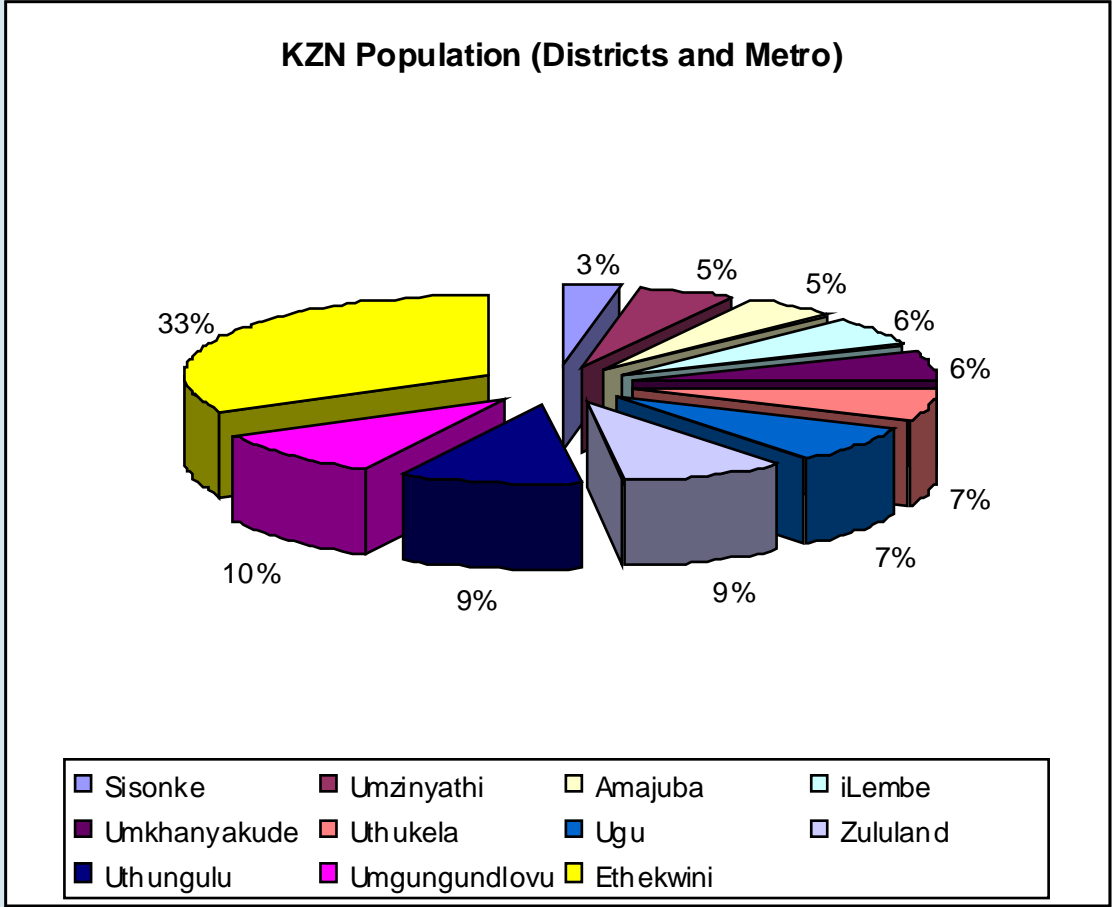
The uThukela District Municipality is predominantly rural, with approximately 75% of the population living on the rural landscape and the two newly demarcated local municipalities, Indaka and Imbabazane, having no formal towns and mainly comprising of traditional areas. The District is bisected by the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

Located within the uThukela District Municipality is the Ukhahlamba Drakensberg World Heritage Site, which comprises mostly of the District Management Area, stretching 93958.22 hectares, or 8.3% of the area of the District. The main tourism hub is the Cathkin Park, which falls within the Cathkin Park Development Node, with a second development node located near the Royal Natal National Park, called the Babangibone Development Node. The towns of Bergville and Winterton are located within the vicinity of the Drakensberg and derive some benefits from the tourism industry. The town of Ladysmith is a significant historical tourism destination and offers a number of museums and historical sites.

The uThukela District Municipality has a population of 714,910 people (Community Survey 2007 - Stats SA), which calculates to a density of 63 people per square kilometre. The population is predominantly female, with 389,415 females and 325,495 males. The average annual household income is R23,419 and the annual income per capita is R3,046. The majority of the population within the uThukela District Municipality is African (95.40%), followed by Indian (3.25%), White (1.05%) and Coloured (0.31%). From the 400,921 economically active population, 120,415 (30%) is employed, 68,564 (17%) is unemployed and 211,942 (53%) is not working. The table below compares the employment figures for the uThukela District Municipality with that of the KwaZulu-Natal Province.

	Population Employed	Population Unemployed	Population Not Working	Absolute Employment Rate	Absolute Unemployment Rate
KwaZulu-Natal 1991	28%	26%	46%	51.26%	48.74%
KwaZulu-Natal 2007	34%	21%	45%	58.91%	41.09%
uThukela DM 1991	20%	29%	51%	41.22%	58.78%
uThukela DM 2007	30%	17%	53%	59.13%	40.87%





The uThukela District Municipality has 7% of the total population of KwaZulu-Natal, which is slightly above the provincial average of 6.7% and compares in population size to the Ugu District Municipality. The figure below indicates the comparative population of the districts and metro within the province of KwaZulu-Natal.

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

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





General Information/Key Statistics

uThukela District Municipality

- **Area:** 11,329.065 km² (1,132,906.5ha)
- **Population:** 714,910
- **Density:** 63 people/km²
- **Unemployment rate:** 40.87%
- **Local Municipalities:** 5 and 1 DMA
- **Local Authority Grade:** Category 4
- **Urban Rural split:** 25% urban 75% rural
- **Municipal Councillors:** 30 (3 full-time)
- **Traditional Authorities:** 18



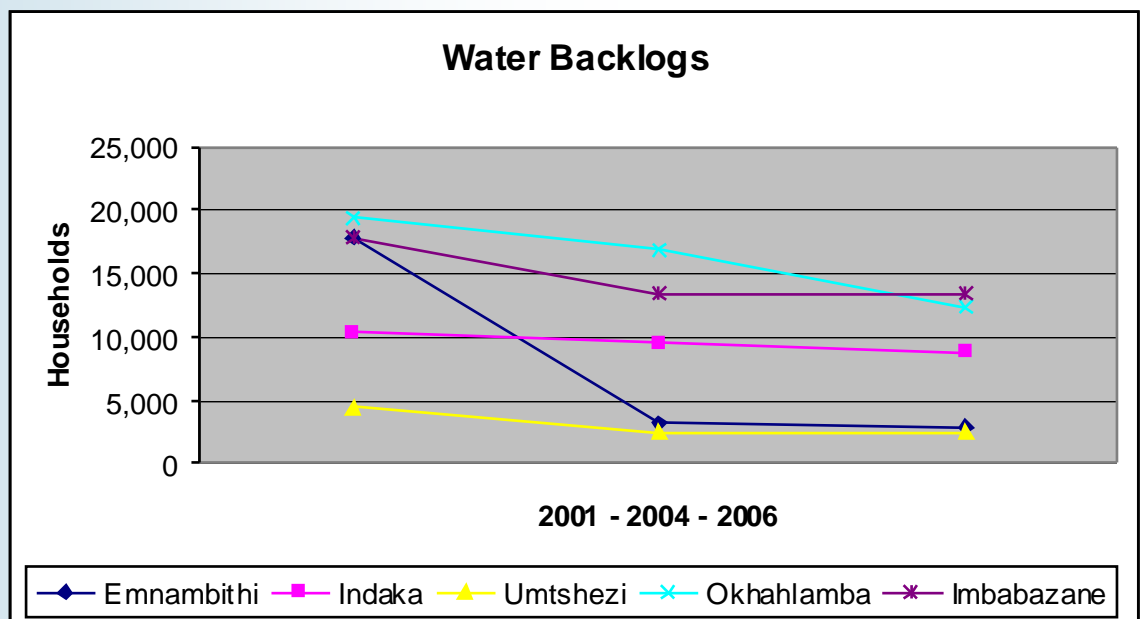


Water and Sanitation Backlogs

The core function of the uThukela District Municipality is the provision of water and sanitation services. The following tables and graphs indicate the progress made up to the second half of 2006 (Source: 2006 Backlog Study by Jeffares and Green):

Water Backlogs

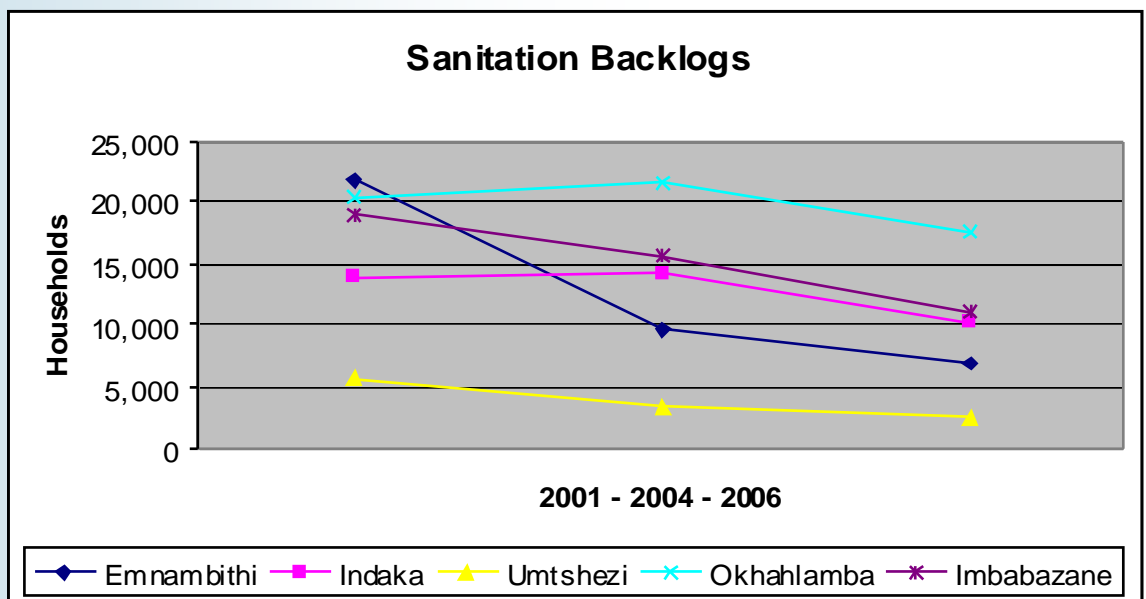
LM	Water Backlogs 2001		Water backlogs 2004		Water backlogs 2006	
	Households	%	Households	%	Households	%
Emnambithi	17,718	13	3,104	2	2,750	2
Indaka	10,324	8	9,556	7	8,807	7
Umtshezi	4,469	4	2,520	2	2,520	2
Okhahlamba	19,339	14	16,889	13	12,289	9
Imbabazane	17,868	13	13,464	10	13,464	10
DMA	37	0	0	0	0	0
Total DM	69,755	52	45,533	34	39,830	30





Sanitation Backlogs

LM	Sanitation Backlogs 2001		Sanitation backlogs 2004		Sanitation backlogs 2006	
	Households	%	Households	%	Households	%
Emnambithi	21,743	16	9,740	7	6,908	5
Indaka	13,958	10	14,228	11	10,137	8
Umtshezi	5,616	5	3,386	3	2,520	2
Okhahlamba	20,370	15	21,707	16	17,662	13
Imbabazane	19,050	14	15,714	12	11,096	8
DMA	10	0	0	0	0	0
Total DM	80,747	60	63,999	47	48,323	36

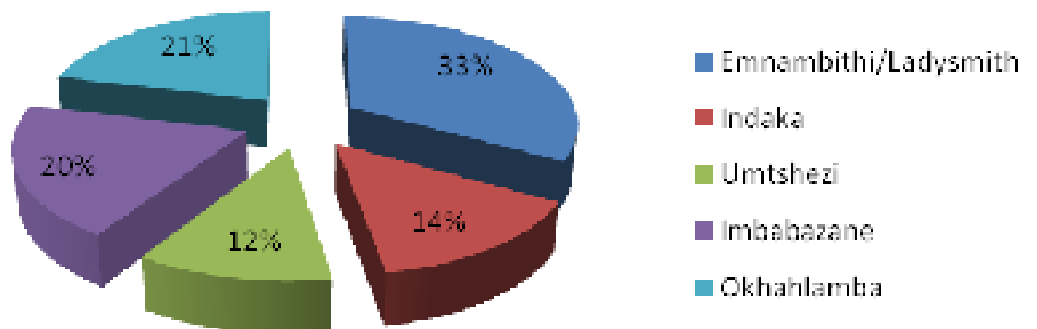




2007 Population per Local Municipality

Municipality	Wards	Population		Households	
		2001	2007	2001	2007
Emnambithi/Ladysmith 2,964.822km ²	25	225,459	236,746	50,530	50,259
Indaka 991.528km ²	10	113,644	101,555	21,372	21,081
Umtshezi 2,130.288km ²	7	59,921	83,906	13,093	15,231
Imbabazane 827.349km ²	12	119,925	140,747	23,030	24,559
Okhahlamba 3,475.496km ²	13	137,525	151,446	26,677	28,508
KZDMA23 939.5852km ²		465	515	143	158
uThukela DM 11,329.065km ²	Total 67	656,939	714,915	134,845	139,638

uThukela Population Distribution 2007



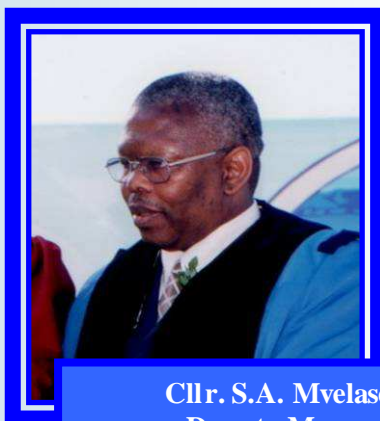


Council Structure

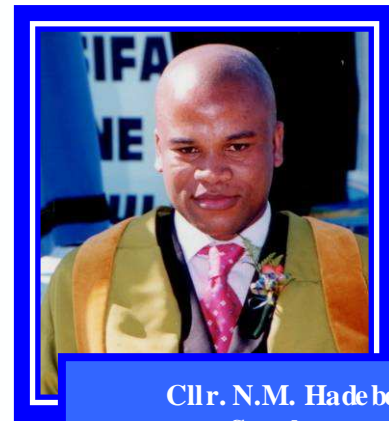
The uThukela District Municipality comprises of thirty (30) councillors of which eighteen (18) are representatives from the Local Municipalities (inclusive of the DMA representative), i.e. Emnambithi/Ladysmith, Indaka, Umtshezi, Imbabazane and Okhahlamba. Twelve (12) councillors are proportionally represented:



**Cllr. S.M. Sithole
His Worship the Mayor
uThukela District Municipality**



**Cllr. S.A. Mvelase
Deputy Mayor
uThukela District Municipality**

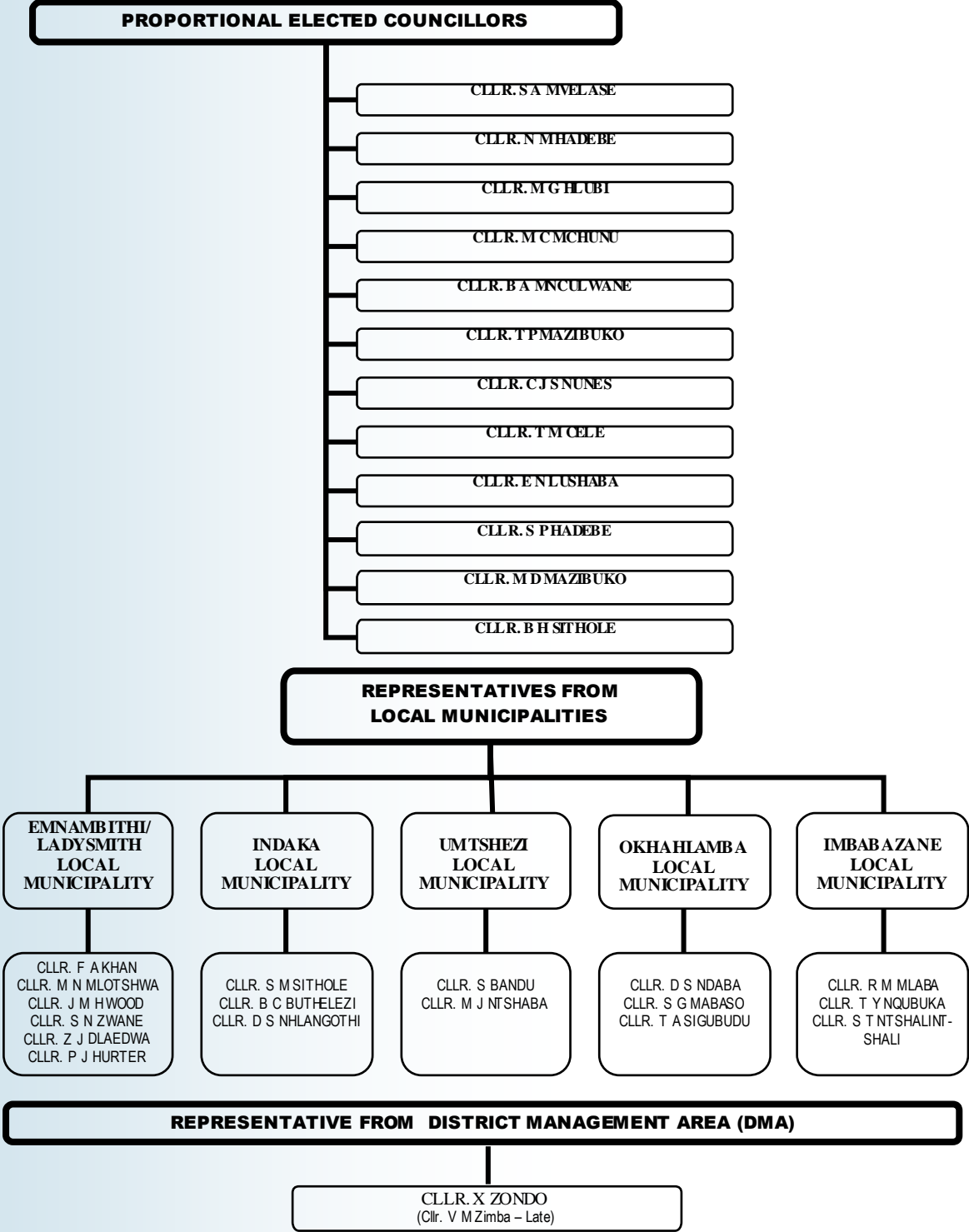


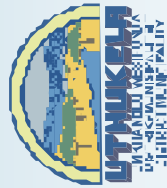
**Cllr. N.M. Hadebe
Speaker
uThukela District Municipality**





COUNCIL MEMBERS

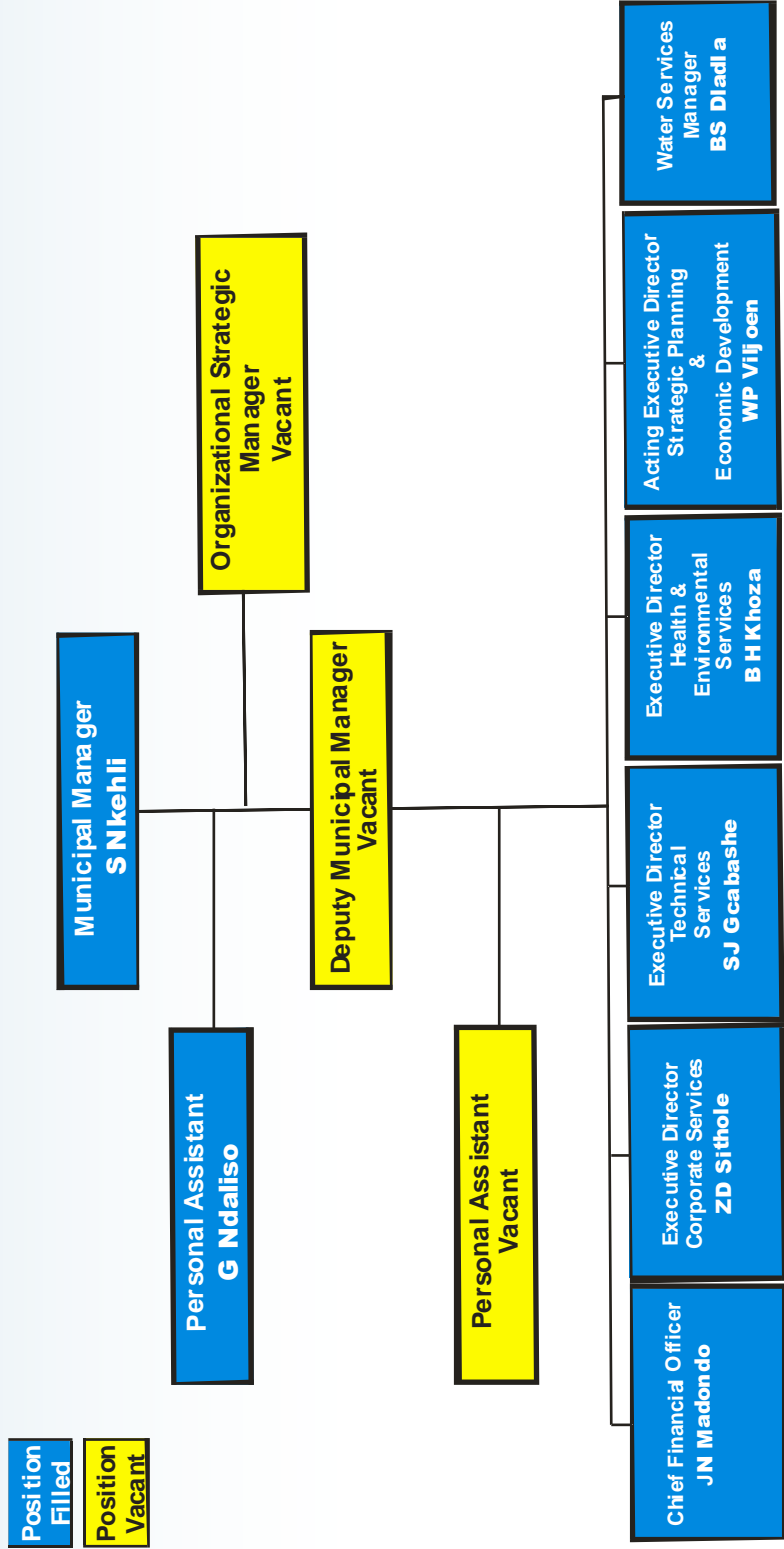




uThukela District Municipality's Heads of Departments

Position
Filled

Position
Vacant





Corporate Services



Mr. ZD Sithole
Executive Director Corporate Services

Introduction

Acknowledging the importance of Batho Pele this department is always endeavoring to ensure that all communities and or stakeholders are involved in the development and communication through out the District. This includes inter alia the maintenance of municipal buildings and also to ensure that all offices are accessible to the communities for smooth service delivery.

Administration

This section has proven to be immeasurable when it comes to the maintenance and securing of workstations in order to ensure a conducive environment for the daily activities of the Council. The importance of customer care has been upheld by ensuring that Satellite Offices located within the Local Municipalities are well maintained and serviced accordingly, ensuring easy customer access throughout the region. Offices are based at Emnambithi/Ladysmith (Pieters, Lyell Street, Murchison Street, Alexandra Street and Colenso); Okhahlamba (Bergville Water/Satellite Office) and Umtshezi (Estcourt and Weenen Water/Satellite Offices). Strict measures have been put in place to control the budget with regards to stationery usage which has returned a huge saving to the Council coffers. A routing system has been installed across Council since it has been proven to be economical viable in the past years.

Secretariat

Support services have been rendered by this section to all meetings for the Council as follows:





Committee	No. of meetings
Executive Committee	3
Council	6
Tender or Procurement Process Meetings	18
Planning and Technical Committee	0
Human Resources Committee	4
uThukela District Intergovernmental Forum & Technical Support Committee	0

It is of the utmost importance to mention that this section coordinate all meetings held within the Council. All meetings held were successful and contributed to the upliftment of communities within this region.

Safety and Security

It is beyond doubt that the existence of security services in the region has been nothing but a tool to combat crime in all aspects i.e. Theft, fraud, attempted robberies, etc. The improved relations between the SAPS and the security companies has strengthened the fight against crime.

HUMAN RESOURCES

EMPLOYMENT EQUITY

The demographics as per Stats SA, the population per ethnic group show as follows: Africans 95.4%, Whites 1.0%, Coloureds 0.3% and Indians 3.2%. The workforce representation at uThukela District Municipality is as follows:

TARGET GROUP	LEVELS OF REPRESENTATION	% TOTAL WORKFORCE
African	434	90.22%
Coloureds	04	0.83%
Indians	19	3.95%
Whites	24	4.98%

In terms of Affirmative Action according to the population demographics, a lot of improvement has been made; the senior management has 8 managers 7 of which come from previously disadvantaged groups. The middle management in the water department saw major changes in this financial year where 8 of the supervisors got promoted to superintendants position.





SKILLS DEVELOPMENT AND TRAINING

Staff that received training in the year 08/09 equal to 63 with the total cost of R 88 410.20.

The Municipality also offers bursaries to the community for matriculated students. The Municipal employee also has a bursary scheme and 09 employees benefited from it in this past year.

STAFF STRUCTURE

TOTAL NUMBER OF STAFF PER DEPARTMENT 2008/2009	
MUNICIPAL MANAGER	02
FINANCIAL SERVICES	66
CORPORATE SERVICES	34
STRATEGIC PLANNING – SOCIAL & ECONOMIC DEVELOPMENT	11
HEALTH AND ENVIRONMENT SERVICES	16
WATER AND SANITATION SERVICES DEPARTMENT	349
INFRASTRUCTURAL DEVELOPMENT	7

SKILLS LEVEL OF EDUCATION

NQF1	NQF2	NQF3	NQF4	NQF5	NQF6	NQF7	NQF8
75	123	111	79	47	3	1	0

NUMBER OF EMPLOYEES BELONGING TO PENSION FUNDS

NATAL JOINT MUNICIPAL PENSION FUND	358
GOVERNMENT PENSION FUND	102
SALA	2

NUMBER OF EMPLOYEES ON MEDICAL AID SCHEMES

GLOBAL HEALTH/KEY HEALTH	22
MUNIMED	0
BONITAS	38
HOSMED	2





DEVELOPMENT FACILITATION

Introduction

This section focuses its attention on ensuring that communities and all other stakeholders in the Municipality's area of jurisdiction are participating and fully kept abreast of developmental activities conducted within the District.

In the project cycle they break the ground and ensure that Project Steering Committees are formed and trained.

Facilitation involvement starts from inception of the project up to project hand-over to communities. In programmes, they support various departments in ensuring that they are successful. This in turn gives assurance that all Council's implemented programmes and service delivery projects are received in an understandable manner by the beneficiaries.

During the 2008/2009 financial year ten (10) water projects, eighteen (18) sanitation projects, two (2) sports field and one (1) taxi rank were successfully implemented due to the facilitation role played by the Development Facilitation Section.

This section is also responsible for community awareness and liaison of the following Mayor's programmes:

- Water week
- Youth day
- Women's day
- Sanitation week
- Mayoral cup
- Kwanaloga games
- HIV/AIDS Day
- Heritage day

Throughout the year the development facilitation section also ensures support during disaster and recovery within the District.





COMMUNITY PARTICIPATION, AWARENESS AND LIAISON, TRAINING OF SPCC'S.

HOUSEHOLD SANITATION

LOCAL MUNICIPALITY	PROJECT AREA
Indaka	Kwahlathi Sahlumbe/ Nkaseni Stanford/ Vaalkop
Emnambithi/ Lady smith	Roosboom Watersmeet eZakheni E Section System (Phase 2)
Okhahlamba	Emmause Zwelisha Obonjaneni (Emoyeni)
Umtshezi	Tatane/ Mqedandaba Cornfields Thembalihle
Imbabazane	KwaDlamini KwaMkhize KwaVala Edashi Emahlutshini Enkomokazini

COMMUNITY AWARENESS & LIAISON

WATER PROJECTS

LOCAL MUNICIPALITY	PROJECT AREA
Imbabazane	Ntabamhlophe C W Amangwe Water Reticulation/ North
Okhahlamba	Dukuza (Hoffental) Bergville Bulk Water Supply Acton Homes, Bethany, Hambrook, Green Point, Malotta & Rooihoek
Emnambithi /Lady smith	Driefontein Complex Bulk Water Supply which includes- Inkanyezi Community Water Supply Sizantntuthuko Water Project Sizonqoba Water Project Jononoskop – Matiwanoskop Water Project Roosboom
Indaka	Ohwebedeni Water Extension Mhlumayo Water Project
Umtshezi	Mhubheni Water Project





COMMUNITY AWARENESS & LIAISON

SPORTS FIELD

LOCAL MUNICIPALITY	PROJECT AREA
Okhahlamba	New Stand
Umtshezi	Lambard Park
Indaka	Revitalization of Uitval Sports field

TAXI RANKS

LOCAL MUNICIPALITY	PROJECT AREA
Indaka	Ekuvukeni

LIAISON & AWARENESS – MAYOR’S BUDGET MEETINGS

LOCAL MUNICIPALITY	DATES
Indaka	07 April 2009
Imbabazane	08 April 2009
Umtshezi	15 April 2009
Emnambithi/ Ladysmith	02 & 09 April 2009
Okhahlamba	19 April 2009

COMMUNITY AWARENESS – MAYOR’S PROGRAMMES

Water week
 Youth day
 Women’s day
 Sanitation week
 Mayoral cup
 Kwanaloga Games
 HIV/AIDS day
 Heritage day





DISASTER MANAGEMENT

1. Municipal Disaster Management Advisory Forum:

The District has managed to establish this committee to ensure that any disaster happen or threaten to happen in this area, we are ready to respond in an integrated and co-ordinated manner. This committee consists of all the departments, NGOs that operate within the jurisdiction of this district. This committee meets four times a year.

2. Disaster Management Plan:

The District Municipality has got the plan in place to ensure that we understand all the hazards in our area and prepare of how to deal with them if is there any thing happen.

3. Communication System

The District has installed this communication system to ensure that our contingency plans are working properly and operational committee is able to use it during the incidents or events.

4. Incidents reported in the 2008/2009 financial year

As from the month of November 2008, in the four local municipalities areas there were a server storms and strong winds experienced, affected 1462 roofs were blown off and 76 houses collapsed.





5. Temporary relief assistance given to affected families as follows:

Area	Tents	Plastic Sheeting	Corrugated Iron	Blankets	Food Parcels
Ezakheni	55	150	-	30	200
Peacetown	45	33	2000		855
Steadville	12	20	-	-	317
St'Chads	27	16	-	-	30
Matiwane	05	-	-	-	-
Colenso	33	22	-	-	-
Ntabamhlophe	12	40	2000	-	-
Emabhalonini	-	65	-	-	-
Thembalihle	10	14	2000	-	70
Shiveley	-	6	-	-	18
Weenen	07	13	2000	-	-
Sahlumbe	11	-	1500	-	450
Mhlumayo	15	-	-	-	213
Limehill	32	46	-	-	122
Vaaihoek	22	-	2000	-	-

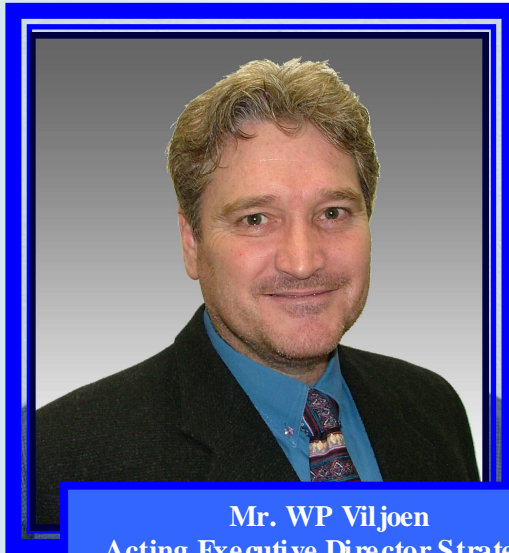
Relief agencies involved :

- UThukela District Municipality
- All four affected local municipalities
- Social Welfare
- Red-Cross
- Ali-Imdaad
- NGO-From Durban





Strategic Planning and Economic Development



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

OVERVIEW

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

- Local Economic Development
- Gender and Disabled
- Sport and Youth
- Tourism
- Strategic Planning
 - Development Planning
 - Performance Management
 - Geographical Information System
 - Information Technology

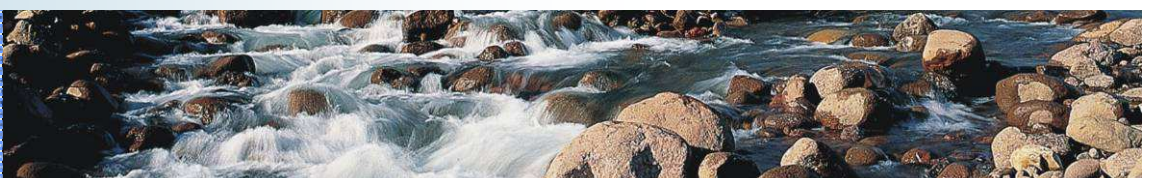
LOCAL ECONOMIC DEVELOPMENT

Introduction

Throughout the 2008/2009 Financial Year Co-operatives were supported and opportunities created aimed at exposing the groups to a learning environment as well as the internal market. Training to crafters was once again facilitated in conjunction with the Department of Economic Development, Trade and Industry KwaZulu-Natal and Tradepoint South Africa Durban and transport provided from and to training events and venues.

Support to Small Business

UThukela supported crafters throughout the district and assisted the art and craft industry to produce products for the export market through training and transport. This has increased opportunity for income generation, encouraged self-employment and thus contributes to poverty eradication. The district boasts top master crafters in the fields of textile wire weaving, grass weaving and beading in the province of KwaZulu-Natal. The district has joined hands with numerous stakeholders, such as Tradepoint South Africa Durban in the training, financing and support to crafters. Support was rendered in the form of auditing and in the facilitation of export channels and training.





Planning

The District wide Regional Economic Development Programme was completed with, funding from the European Union, and the other programmes funded by the same organisation is in the process of closeout and auditing.

Indaka Poultry Projects

The Indaka Poultry Project was made possible with funding from the Department of Local Government and Traditional Affairs to the sum of R1-million. The project consists of eight co-operatives and is in the planning and initiation phase, with a business plan drafted and approved and a Steering Committee established. UThukela has joined hands with Ever Trade in the registration, financing, training and project support of the following co-operatives:

- Matshwele Co-operative has eight members situated at Sahlumbe.
- Sizakancane Co-operative has eighteen members situated at Mhlumayo.
- Bambanani Co-operative has eight members situated at Mhlumayo.
- Siyanqoba Co-operative has eight members situated at Kwa-Mteyi.
- Uitval Poultry Project has eight members situated at Uitval.
- Zamokwethu Co-operative has eight members situated at Vaal Kop.
- Vukani Co-operative has eight members situated at Somsuku.

Once project cycle was completed and the second is in the process of being implemented. This cycle, should be completed before the December holiday season in order to gain maximum benefit. A processing plant was identified as a major stumbling block and this will be addressed during the 2009/2010 financial year as well as the remaining four project cycles.

GENDER AND DISABILITY

Physically Challenged

UThukela is in the process of compiling a database and is negotiating with SETA regarding skills development and learnership programmes aimed at offering Skills Development on Business Skills and Learnership on Business Management and Marketing to those who have matriculated.





Screening and assessment in communities and schools for people living with disabilities have resulted in some assistance being provided in the form of wheelchairs, walking sticks and walking frames. Placement of children living with disabilities in schools is also in progress as parents believe that physically challenged learners should receive special treatment and kept at home or special schools. Warm clothes, blankets, toys, etc were also collected for homes for the physically challenged and provided to Sbusisiwe home and Ekuphileni Centre. Public Works have hosted a workshop on how to start a business and Business Skills, with a refresher course to be hosted during the 2009/2010 financial year.

Gender Issues

The Gender Forum meetings have continued and information shared regarding programmes and events.

Orphans

UThukela is investigating the possibility of establishing a Forum for Orphans and is continuing to meet with the team from the local Police Station to discuss issues pertaining to the abuse of orphaned children. Warm clothes, blankets, toys, etc are continually collected and frequent talks with the Department of Education ensures their education.

SPORT AND YOUTH

On the sporting front two successful events were held. The Mayoral Cup was once again a very successful event and the Kwanaloga Games took place at Newcastle with a marked improvement in logistical arrangements and the satisfaction of participants .

TOURISM

The uThukela District Municipality participated in the annual Tourism Indaba hosted by Tourism KwaZulu-Natal and the Royal Agricultural Show. The District Tourism Forum was also successfully established and a new Tourism Brochure developed. New marketing material was also procured and a promotional DVD developed.

STRATEGIC PLANNING

The IDP has successfully been reviewed to inform the 2009/2010 Financial Year and has been adopted and submitted with all deadlines met. The assessment of the IDP to





inform the 2009/2010 indicated a substantial increase in credibility from previous years, placing the credibility of the uThukela IDP in first place out of 61 municipalities.

The issues to be addressed during the 2009/2010 financial year were unchanged and include the following:

- Backlogs in the provision of sustainable infrastructure, water and sanitation services
- Economic Development
- Prevention of ill-health and promotion wellness
- Financial and administrative capacity of the district
- Accountability and public participation institutions
- Public safety and security
- Tenure security and shelter
- Coordination of services
- Addressing the injustices of the apartheid past

DEVELOPMENT PLANNING

Several development applications were received in line with the Town Planning Ordinance and the Development Facilitation Act, ranging from sub divisional applications to lodge developments. Comments were made on 11 subdivisions, 3 new cellular mast developments, 3 business applications, 1 upgrade of a recreational facility, 2 hospitality applications and a 72 residential unit and 24 bed lodge development.

PERFORMANCE MANAGEMENT

Performance Reports for the 2008/2009 financial year were all completed for Section 57 employees and quarterly reports and supporting documentation submitted. Targets for the 2009/2010 financial year were developed in line with projects identified in the 2009/2010 Integrated Development Plan (IDP).

GEOGRAPHICAL INFORMATION SYSTEM

UThukela GIS has continued to provide valuable information to internal departments, local municipalities, provincial and national government departments, consultants and private individuals. Updated water and sanitation infrastructure was also incorporated, as well as the District Spatial Development Framework.





INFORMATION TECHNOLOGY

The Information Technology infrastructure of the uThukela District Municipality was greatly improved, with a number of newly purchased computers and printers enhancing the operation ability of the Municipality. The network linkages between buildings were also improved, as well as faster internet access.





HEALTH AND ENVIRONMENTAL SERVICES



Mr. BH Khoza
Executive Director Health and
Environmental Services

Introduction

This report is not only a reflection of the achievements of the past financial year but it offers us an opportunity to highlight our achievements and to plan the appropriate interventions that are required to address the challenges encountered in the delivery of Health and Environmental Services to the citizens of the uThukela District.

WATER SERVICES AUTHORITY

Access to Safe Water Supply





Ezakheni Water Purification Plant

During 2008/09 financial year, 5 785 households were provided with safe water supply in uThukela District.

Water supply backlog as at the end of June 2009 was 16,5% (based on water services backlog study report of September 2006 and 2001 census demographic figures). The annual rate of safe water supply backlog reduction is still 4,5% in uThukela District. This translates to 22 555 households that do not have access to safe water supply.

During the implementation of water projects, 1 363 local community people were employed for the duration of the projects and 113 were empowered with new skills.

Free Basic Water

During 2008/09 financial year 5 785 households were provided with free basic water. The majority of households that benefited from the free basic water supply were rural based households.

MIG Expenditure on Water Projects

During 2008/09 an amount of R88 371 016 was allocated for water and sanitation services. A sum of R42 232 416 (47.8%) was spent on water projects. The balance was spent on sanitation projects.

Access to Appropriate Sanitation Services

During 2008/09 financial year, 9 617 households were provided with appropriate sanitation services (VIP Latrines) in uThukela District. The annual rate of appropriate sanitation services backlog reduction is still 5% in uThukela District. Appropriate sanitation services backlog as at the end of June 2009 was 21% (based on the sanitation services backlog study report of September 2006 and 2001 census demographic figures). This translates to 25 738 households that do not have access to appropriate sanitation services.





During the implementation on sanitation projects a total of 254 local community people were employed for the duration of the projects and 69 people were empowered with new skills.

Free Basic Sanitation

During 2008/09 financial year 9 617 households were provided with free basic sanitation facilities (VIP Latrines).

MIG Expenditure on Sanitation Projects

During 2008/09 an amount of R88 371 016 was allocated for water and sanitation services. A sum of R46 138 600 (52,2%) was spent on sanitation projects. The balance was spent on water projects.

3. WATER QUALITY STATUS (Microbiological)

There were 70 drinking water sampling points that were monitored in uThukela district. Bacteriological, Chemical and Physical analysis were conducted over a 12 month

PLANT	No. of samples taken over a 12 month period												Total no. of samples taken	No. of Non-compliance samples	% Non-compliance	No. of Compliance samples	% Compliance
	July 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09					
A. Rodel	14	15	15	14	16	14	15	15	15	15	15	15	178	7	3.9	171	96.1
Bergville	12	12	8	12	8	12	12	10	12	12	9	9	128	0	NIL	128	100.0
Colenso	11	11	9	15	6	10	11	10	10	10	11	13	127	13	10.2	114	89.8
e'Zakheni	67	43	63	63	55	43	51	52	55	54	47	53	646	33	5.1	613	94.9
G. Cross	21	20	21	20	21	21	21	21	21	21	21	21	250	4	1.6	246	98.4
Ladysmith	69	54	67	64	55	49	42	56	56	63	56	63	694	0	NIL	694	100.0
Langkloof	4	5	2	1	4	3	1	3	2	2	2	2	31	3	9.7	28	90.3
Loskop	9	10	9	10	8	8	9	11	6	10	10	12	112	0	NIL	112	100.0
Moyeni	9	7	9	8	4	7	9	6	9	10	6	7	91	1	1.1	90	98.9
Olifantskop	26	16	0	0	20	8	12	28	26	38	38	0	212	27	12.7	185	87.3
Tugela Est	3	3	3	1	3	3	4	3	3	3	3	3	35	3	8.6	32	91.4
Weenen	3	3	3	4	3	3	3	3	3	3	3	3	37	1	2.7	36	97.3
Winterton	8	11	8	11	11	13	9	7	8	8	8	5	107	14	13.1	93	86.9
TOTAL													2 648	106	4.0%	2 542	96.0%





period by qualified and experienced UTDM Laboratory Technicians and Environmental Health Practitioners to ensure that the water supplied to the public is fit for human consumption.

The overall microbiological compliance rate for the uThukela District was 96.0%. The total number of samples taken during the 2008/2009 financial year was 2 648.

4. CHALLENGES

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

MUNICIPAL HEALTH SERVICES

Municipal Health Services Annual Statistical Report: July 2008 to June 2009

1. Meetings

Type of meetings	No. of meetings
Staff meetings	11
Management meetings	43
District meetings	0
Provincial meetings	15
National meetings	0

2. Skills Development

Type of training received	No.
Workshops	5
Conferences	2
Courses	0





3. Complaints

Nature of complaint	No.	No. Investigated	No. Satisfied	No. Unsatisfied
Sewer overflow	130	130	112	18
Littering	18	18	18	0
Vegetation overgrowth	88	88	68	20
Water pollution	17	17	11	6
Air pollution	6	6	5	1
Water leakage	13	13	13	0
Total	272	272	227	45

4. Food Premises Inspection

Description	No. of Inspections	No. Satisfied	No. Unsatisfied
Formal			
General dealer	112	97	15
Take away	54	42	12
Restaurant	157	139	18
Supermarket	67	56	11
Dairies	32	24	8
Butcheries	152	134	18
Informal			
Spaza shops	39	31	8
Street vendors	130	97	33
Total	743	620	123
Food condemnation	34	13,400kg	





5. Commercial Premises

Description	No.	No. Satisfied	No. Unsatisfied
Funeral undertakers	63	48	15
Private General Practitioners premises	178	166	12
Pharmacies	36	36	0
Hazardous substances premises	12	12	0
Crematoria	4	4	0
Dry cleaners/laundry	22	17	5
Scrap Yard	12	8	4
Sand Winning	8	8	0
Hotels/Motels	28	24	4
Bed & Breakfast	181	159	22
Total	544	482	62

6. Industrial Premises Inspection

Description	No.	No. Satisfied	No. Unsatisfied	
Asphalt works	4	4	0	0
Gas works	10	10	0	0
Metal products	9	9	0	0
Paint or surface coating	5	5	0	0
Spray painting	20	15	5	5
Welding	9	9	0	0
Clothing manufacture	17	17	0	0
Footwear manufacture	9	9	0	0
Milling	13	12	1	1
Quarry	4	4	0	0
Rubber moulding	5	5	0	0
Timber manufacturing	9	5	4	4
Textile works	12	9	3	3
Waste collection	13	9	4	4
Petrochemical installation	12	12	0	0
Total	151	134	17	17





7. Institutional Premises Inspection

Description	No.	No. Satisfied	No. Unsatisfied
Clinics	50	42	8
Hospitals	16	12	4
Crèches	67	53	14
Schools	161	131	30
Children's homes	8	8	0
Place of safety	-	-	-
Rehabilitation centres	-	-	-
Old age homes	12	8	4
Police stations	16	16	0
Prisons	12	12	0
Magistrate courts	12	12	0
Churches	22	22	0
Town/Community Halls	24	24	0
Total	400	340	60

8. Residential Premises Inspection

Description	No.	No. Satisfied	No. Unsatisfied
Formal dwelling units	164	134	30
Informal dwelling units	95	66	29
Other specify	-	-	-
Total	259	200	59

9. Other Premises

Description	No.	No. Satisfied	No. Unsatisfied
Abattoirs	4	4	0
Cemeteries	16	16	0
Kennels	4	4	0
Stables	4	4	0
Piggeries	-	-	-
Poulties	-	-	-
Swimming pools	13	13	0
Farms/Small holdings	-	-	-
Other specify	-	-	-
Total	41	41	0





10. Surveillance and Control of Communicable Diseases

Description	No. of notifications received	No. Investigated	No. of persons affected
Cholera	-	-	-
Typhoid	-	-	-
Diarrhoea	-	-	-
Malaria	1	1	1
Paraffin poisoning			
Chemical poisoning			
Pesticidal poisoning			
Rabies/dog bite investigation	30	30	30
Tuberculosis	3	3	3
Others specify - bilharzia	-	-	-
Total	34	34	34

11. Health Education/Promotion Activities/Events

Topic/Theme/Name of event	Area/Place held	No. of audience
Water Conservation & Demand Management	Ezakheni Schools	10 800
Water Conservation & Demand Management	Ntabamhlophe	7 000
World Aids Day	St Chads	5 500

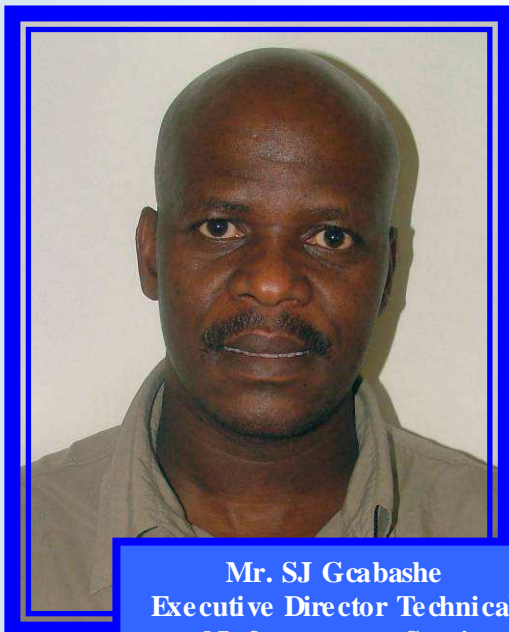
12. Other Activities

Description	No.
Imported consignments	3
Licence applications comments	29
Plans scrutinisation	250
Prosecutions	28
Development applications [ptb]/Health certificates	36
Other specify	-
Total	346





TECHNICAL AND INFRASTRUCTURE



Mr. SJ Gcabashe
Executive Director Technical
and Infrastructure Services



Mrs. S Mkhize
Project Management Unit
Manager

INTRODUCTION

WATER PROJECTS

NTABAMHLOPHE WATER PROJECT. Budget R 70,891,154.00

The above project has 13 phases.

Phases 1 to 4 of this project were completed in 2006/2007 financial years and the project is operational.

Phases 5 and 6 of Ntabamhlophe Water Project are currently at tendering stage and the tenders will be closed on the 2nd of December 2009 and the contractor should be on site in January 2010.

DUKUZA HOFFENTHAL WATER PROJECT. Budget R 26,103,599.00

The above project is an extension of the Moyeni/Zwelisha scheme. It comprises the construction of bulk mains and reticulation, a pump station and a 750kl reservoir, the project is progressing well and is anticipated to be completed in July 2010.





DRIEFONTEIN WATER SUPPLY

Budget R126,101,368.00



The above project has 10 phases and 2 phases have been completed with 4 being implemented. The phases are as follows:

INKUNZI WATER SUPPLY

Budget R7,369,246.89



The above project has been completed and was handed over to the community on 30 October 2009.





JONONOSKOP PHASES 1, 2 AND 3

Phases 1 and 2 are awaiting the completion of phase 3. The contractor for phase 3 has already been appointed and is currently establishing on site to finalize the outstanding work in phase 1 and 2 and to do 15km of additional piping , 85 standpipes also to be erected.

Eskom been to site and electricity connected. Completion anticipated at the end of May 2010.

DRIEFONTEIN RESERVOIR STRUCTURES

Budget R8,310,080.00

Thirteen reservoirs were completed on 23 October 2009 and they been tested but not yet operational, currently awaiting finalization of the pipe laying.

SIZANENTUTHUKO WATER PROJECT

Budget R14,314,653.00

We are experiencing delays on the above project due to the trenches that were washed open by storm water. 98% of piping has been completed only ancillary work still outstanding and pressure testing is still not done.

Eskom been to site and connected the power. Expected completion date is March 2010

SIZONQOBA WATER SUPPLY

Budget R7,359,814.00

The first contractor who was awarded this contract was terminated due to poor performance. The second contractor has been awarded and the contractor is already on site and is progressing well. Anticipated completion date is May 2010.

INKANYEZI WATER PROJECT

Budget R20,358,391.00

This project is progressing well but slowly , the progress to date is 19% and the anticipated completion date is August 2010.

NYAMANGOGO WATER PROJECT

Budget R11,567,617.00

The contract for the project was awarded in September 2009 and the contractor is





progressing well on site, the anticipated completion date is May 2010.

ROOSBOOM WATER SUPPLY

The above project has had a lot of delays due to the land ownership disputes were eventually resolved amongst the District Municipality the land owners and the Local Municipality.

The contractor is on site and progressing well. Anticipated completion date March 2010.

BERGVILL BULK WATER SUPPLY

30% of work is completed, project progress well and anticipated completion date is February 2010.

SANITATION PROJECTS

EMMAUSE SANITATION

Budget R11,656,115.00

A total number of 3755 vip toilet to be constructed and 2925 structures have been completed to date with 830 units still outstanding but to be completed by March 2010

ZWELISHA OKHAHLAMBA SANITATION

Budget R10,025,217.00

A total number of 3162 vip toilet structures to be constructed and to date 3040 toilet structures have been completed with only 122 remaining. Project to be completed by December 2009.

OBONJANENI SANITATION

Budget R6,515,790.00

A total number of 2105 vip toilet structures to be constructed, to date 206 toilet units have been completed and the remaining structures to be completed by March 2011.

WATERSMEET SANITATION

Budget R13,150,583.00

A total number of 4097 vip toilet structures to be constructed, to date 2654 units have been completed with 1443 still outstanding and to be completed by March 2011





ROOSBOOMSANITATION
Budget R8,057,916.00

The above project was allocated 2508 vip toilet structures and they have all been constructed. The project is ready for the handover to the community.

EDASHISANITATION
Budget R6,968,721.00

A total number of 2100 vip toilet structures were allocated to this project and they have all been constructed. The project is ready for the community handover.

EMAHLUTSHINISANITATION
Budget R6,782,891.00

The project was allocated 1986 vip toilet units and only 5 units are remaining, the project will be complete at the end of November 2009.

KWAVALASANITATION
Budget R8,125,439.00

The project was allocated 2500 toilet structures and they are all completed. The project is ready for the community handover.

JONOSKOPSANITATION
Budget R11,460,350.00

The project is allocated 3731 vip toilet structures, to date 696 units have been completed with 2894 toilet structures still outstanding and will be completed by March 2011.



Before



After





SILMANGAMEHLO SANITATION

Budget R8,158,601.00

A total number of 2452 toilet structures to be constructed, to date 655 toilet units have been completed with 1797 still remaining and will be completed in March 2011.

KWAHLATHI SANITATION

R 10,239,465.00

The project is allocated 3235 vip toilet structures, to date 1347 toilet structures have been completed with 1888 still remaining and to be completed by March 2011.

SPORTS FIELDS

LAMBERD PARK SPORTS FIELD

The original scope of work has been completed, the contractor is currently attending to the additional work as instructed by the project manager. Anticipated completion date is December 2009.

NEWS TAND SPORTS FIELD

The above project is completed and awaiting the date for the handover to the Local Municipality and the community.

EKUVUKENI TAXI RANK

The sewer and water connection are still outstanding but the structure and the paving are complete.

EZAKHENI SEWER PROJECT

This project was allocated 3296 waterborne toilet structures and sewer reticulation for 1750 households, to date the progress is 95% complete and will be completed by March 2010.





WATER SERVICES



Mr. BS Dladla
Water Services Manager

Introduction

The period under review in respect of this report is from 01 July 2008 to 30 June 2009. Water, being the main competency of this administration, experienced many challenges and highlights.

Bulk Services

We were fortunate to have been identified by the Department of Local Government and Traditional Affairs as a pilot project to assess the implications and impact of an effective Operations and Maintenance Plan. This pilot project is the first of its kind to be undertaken in the country.

Major refurbishment work has been carried out at the Ezakheni Water Treatment Plant and is still in progress.

Whilst other plants both on the Water Treatment side and Waste Water Treatment side needs refurbishment, finance remains the main constraint.

Although ageing and ailing infrastructure is a huge concern and the fact that most of our plants is producing beyond its designed capacity we have intricately managed to ensure that the quality of our drinking water is not compromised. In this regard we can be proud of being one of the best performing Water Service Providers in the country.

Once again continuous interruptions in the power supply to our Water Treatment Plant in Ezakheni was the root cause of the frequent interruptions of water in the supply area of this plant. We have on numerous occasions alerted Eskom and the Department of Water Affairs and Forestry of this occurring problem. The senior management of the uThukela District Municipality has even had an audience with the Department of Water Affairs and Forestry to highlight this serious plight.

Reticulation

In this area of operations ageing and ailing infrastructure continuously poses a huge challenge. Notwithstanding these challenges we have successfully been able to deliver an A level service.





Rural Supply

The drastic reduction of underground water poses a serious threat, as this resource is getting depleted very swiftly. This reduction of underground water has a serious impact on the lifespan of our pumps and motors. Hence the frequent replacement and repair of pumps and motors. As a result of this the supply of water via water tankers was the only alternative source of water to the affected communities.

Customer Care

This competence deals with queries from the public and report same to the relevant personal for attention and execution.

Conclusion

One of the main challenges that faces this Department is the continuous and frequent Vandalism and Abuse of our Infrastructure. Even the offering of a twenty thousand rand reward leading to a conviction does not relieve the situation. Numerous cases of sabotage and vandalism has been reported to the South African Police Services to no avail.

Illegal yard connections by the communities especially with schemes that are not designed for this purpose poses a huge challenge to this Department.

Considering the huge challenges together with budget constraints, a serious review of the tariff structure has to be considered in order to ensure efficient and effective delivery of services.

OPERATIONS AND MAINTANANCE

1. Rudimentary Department – Hand pump maintained

The boreholes in the following areas were maintained and are operational.

Indaka/Emnambithi

- Jonono
- Roosboom
- Roosboom Ematafuleni
- Hwebedeni
- Madazane – Zwane
- KwaGoli- Khumalo





Okhahlamba

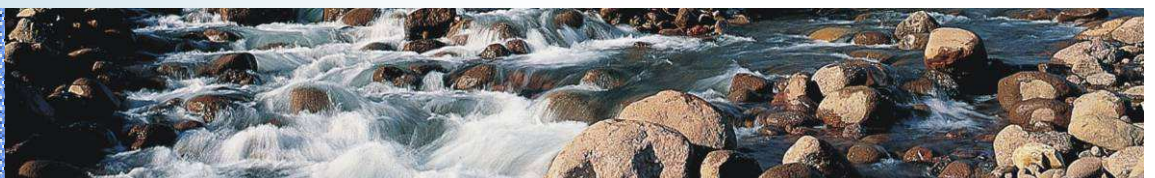
- Acton Homes
- Ogade
- Dukuza
- Busingatha

Mbabazane

- Ntabamny ama
- Ngony ameni
- Bhekuzulu
- Mjwayeli School
- Mathamo.

2. Imbabazane Reticulation/ Water Schemes

- Emanjokweni – Operational
- Phawa – Operational
- KwaDlamini – Operational, Some consumers have made illegal household connections.
- Emahlutshini – Operational, Some consumers have made illegal household connections. There is a great need to re-design the scheme in order to supply all settlements including the Mhloshazana area.
- Shiyandlela – Operational, Water shortage due to draught.
- Bhekabezayo – All three boreholes are operational.
- KwaMkhize – Three pumps are operational, water supply scheme is operational, A lot of vandalism around the area. Access roads to borehole sites are not in good condition.
- Nsonge – Operational, Resourvoir is slightly leaking, silt and mud must be scoured and washed away.
- KwaGcinusizi – Operational, Pump is small and giving out insufficient water.
- KwaMshini – Not fully operational, Potgieter is working on it.
- Dashi/Goodhome – The scheme is vandalised





- Zwelisha/ Craig Operational
- Locksloy – Phase three of Ntabamhlophe scheme it is operational, Lots of illegal house connection.
- Mhubheni – Phase 1 of Ntabamhlophe Scheme. The pumps are manually operated will be automatically once the valve is installed.
- Dalton – Phase 2 of Ntabamhlophe scheme, manually operated will be changed in house.
- Phangweni – Dube Village and Soul City does not have water at all. Water from Loskop Treatment Plant will be supplying the area.
- Bhekuzulu/Dry coat – Operational
- Rosedale – Operational
- Tatane – Operational, Reservoir was vandalised
- Engonyameni – Operational
- Mqedandaba – Operational but not according to the initial design because the consumers have done the illegal connections.
- Nkomokazini - Operational but not according to the initial design because the consumers have done the illegal connections
- Ngodini – Operational
- Emakekeni – Operational
- Emnyangweni – Operational
- Nyezane – The water supply is not up to standard because of the design, the pressure water supply from the main pipe is not pushing water to Reservoir A3 and A4 but the rising main to a4 has been rectified., Standpipes 100% complete.
- Moyeni – Operational
- Mandabeni – Operational
- Kwavala – Operational
- Madolobheni – Operational
- Sliman gamehlo – Operational.

3. Okhahlamba Reticulation/Water schemes

- Diepsloot – Operational
- Mthende – Operational, Damaged cable need to be removed.
- Newstand – Operational





- Rooihoek – Operational
- Malotaskraal – Operational
- Emmause – Operational
- Emmause (Enkosini) Operational
- Greenpoint – Operational
- Emmablussini – Operational
- Dukuza – Dukuza water scheme is implemented by PMU
- Moyeni/Zwelisha – Operational
- Zankolongo – Operational
- Okhombe – Operational
- Waaiplaas – Need to drill a new borehole.
- Qhozo – Operational
- Hambrook – Not Operational, Borehole team is attending to the problem.
- Obonjaneni – Operational
- Emaromeni – Operational
- Woodford – Operational
- Bethany – Operational
- Rookdale – Operational
- KwaMaye – Springs needs to be maintained.

4. Indaka

- Tugela Estate – Operational
- Ngedlengedleni – Nash is working on it
- Mngceleni – Water table is low – Technical department is attending to it.
- Mkhalandoda – Operational
- Olifantkop – Operational
- Ekuvukeni Sewer Plant – Pumps were removed being attended to by the service provider.
- Vaalkop Pump Station – Operational
- Mabhekazi Pump Station – Not operational due to vandalism.





5. **Emnambithi Rural Areas schemes**

All the following schemes are operational

- Picetown
- Watersmeet
- Kleinfontein
- Kirkentulock
- Creamin
- Emathondwane
- Baldeskraal
- Roosbom
- Driefontein
- Vanreenen
- Burford
- Zwelisha
- Emcitsheni
- St Chad's Nhlalakahle
- KwaMthandi
- Qinisa
- Ezintabeni
- St Chad's
- Matiwaneskop
- Ganahoek
- Jononoskop
- Lucitina

6. **Bulk Schemes**

All are operational and on proper maintenance.

Estcourt Bulk Water

- Forderville High Reservoir





- Bacon Factory Reservoir
- Kwezie Reservoir
- Mimosdale Reservoir
- Wembezi Reservoir
- Tower Reservoir
- Mhlabani (Dalton) Reservoir

Ekuvukeni Area

- Umbulwana Reservoir
- Petronella Reservoir
- Vaalkop Reservoir
- Zantbult Reservoir
- Rock Kliff Reservoir
- Lime Hill Reservoir
- Tholeni Reservoir
- Lady Smith Area Spionkop Water Supply





Financial Services



**Mr. JN Madondo
Chief Financial Officer**

Introduction

Budget and treasury Office (Financial Services Department) is the support department which does not only support functionaries of the municipality to achieve municipal strategic objectives but it also strives for financial substance of the municipality through ensuring that set goals are met.

Financial year end 30 June 2009 saw various challenges, this included the global economic meltdown. This had a huge impact to the municipality since our financial base shrunk contrary to the increase of demand for services. It posed huge budgetary constrains in terms of stretching the over stretched

income base.

The department set for itself the following objectives for the year;

- Enhancement of financial administration capacity
- Mobilization of external, Provincial, National & International funding and investments
- To aggressively implement the credit control policy
- Enhance and capacitate governance structures
- To minimize the risk of fraud
- To implement MPRA
- To enhance Intergovernmental relations in financial matters

Achievements And Challenges

The following was accomplished by the department despite various challenges faced,





- Various members of staff were sent to various training institutions for capacity building, this included the Wits Business School.
- The department was successful in driving all processes which saw a Timeous adoption and implementation of the rates taxes to the District Managed area.
- Budgetary constrains did not allow for mobilization of external funding.
- Fraud prevention plan was adopted by council and communicated to various staff members in an attempt to minimize risk of fraud.
- Audit committee was operational through out the year.
- Credit control was implemented very aggressively, this took a serious step when the buy in from all departments was obtained for vigorous implementation.

Budget

Budget for 2008/2009 financial year needed to deal with the following issues,

a) Ageing infrastructure

Council inherited aged infrastructure from local municipalities which was not accompanied by any reserves for replacement, instead, long-term loans and unserviceable old equipment including water pumps. Some of these pipes are more than 20 years old, they have reached and passed their lifespan.

Owing to the number of burst pipes occurrences, it becomes humanly impossible to replace the whole line, the decision was taken that gradually the infrastructure will be replaced.

b) Power shedding

The constant power cuts put enormous pressure to pumps, this was as a result of sudden shut downs. Council needed to budget for major pumps replacements and or repairs. The problem of power shedding does not only exact undue pressure in our water line only but also collapses the





infrastructure needed to ensure continued supply of water.

Power shedding compromises the quality of the water we supply thus requiring increased treatment procedures in water. which has costs implication and a greater impact on our budget.

Our infrastructure delivers water in excess of its designed capacities, therefore this programme strains the already overworked water plants in trying to restore water levels to normal, and reach the required levels for gravitation.

c) Drought

The rural areas mostly receive the water supply from bore holes During winter seasons, these boreholes run dry. This then requires council to supply water tank trucks to these areas which is an expensive exercise. The municipality is trying its best to put infrastructure like main water lines in some of these areas e.g uMhlumayo water scheme which will be operational very soon which has cost us in a region of R39m.

d) Increasing Number of Indigents

The unemployment rate results in the increased number of indigent consumers, since the greater part of our consumers are unemployed. In order for us to supply water to rural communities and stand pipes for free, we have increased the provision for these consumers from R6.8m to R7m.

BUDGET PROCESS

The following budget process plan was followed in order to ensure that budget is approved in time.

Budget Process Plan

September

Mayor to submit to Municipal Council time schedule outlining:

1. Approval preparation, tabling and approval of the annual budget.





2. Annual review:
 - IDP
 - Budget related policies
3. Tabling of adoption of any amendments to IDP and budget related policies.
4. Consultative process forming part of the above.

A. PREPARATION

August *Finance to provide incomes both allocations (DORA) and other possible incomes in conjunction with other departments for the budget period.*

Fixed costs are provided by the Finance Department e.g. salaries budget

Technical Department provides for other fixed costs e.g. carry-overs, contract costs (e.g. rentals etc.)

Percentage allocations for Departments are determined.

September	:	Other policy issues are addressed
October	:	Departments submit budgets as per allocations.
November	:	Compilation and information gathering.
January	:	Consultation with Local Municipalities.

B. TABLING

February	:	Mayor tables the budget to EXCO.
March	:	Mayor tables the budget to the Council.
April	:	Municipal Manager publishes the tabled budget for public comments.

Municipal Manager presents printed and electronic budget to National and Provincial organisations (chapter 22(b)(i) & (ii)Municipal Finance Bill).

May (begin)	:	EXCO considers views from community, National and Provincial organisations.
-------------	---	---

May (mid)	:	Mayor responds to budget submissions.
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C. APPROVAL

- (June begin) : Municipal Council approves budget with other issues.
Refer Municipal Finance Management Bill – Page 35(c)
(i) – v)
Mayor must ensure that service delivery and budget implementation plan are in place and communicated accordingly as well as performance agreements.

Annual Financial Statements

Council was expected to compile its financial statements in accordance with Generally Recognised Accounting Practice (GRAP).

The above required the municipality to engage in various activities in order to comply with the requirements of some applicable standards. The major requirement was the evaluation of non current assets (Fixed assets). Tabled here below is the set of financial statements which was submitted for audit.





ANNUAL FINANCIAL STATEMENT

For the 2008/2009 Annual Financial Statement, please see attached





Auditor-General Audit Report

REPORT OF THE AUDITOR-GENERAL TO THE KWAULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE UTHUKELA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

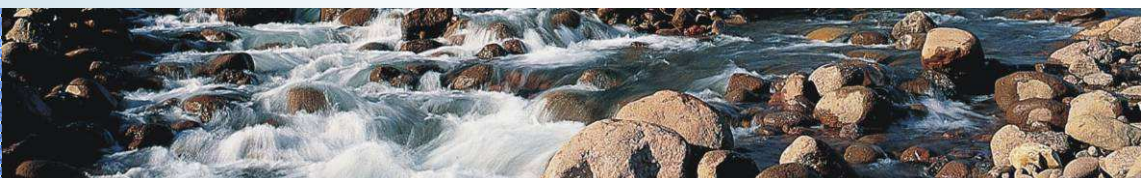
1. I have audited the accompanying financial statements of the Uthukela District Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 48.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

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 read with *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 about 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standard 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 Uthukela District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Uthukela District Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

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

Going concern

9. Note 36 to the financial statements indicate that the Uthukela District Municipality is experiencing cash flow difficulties. A net deficit of R64,3 million was incurred during the year ended 30 June 2009 and conditional grants of R29,1 million had been used for operational expenditure. These conditions, along with other matters as set forth in note 36, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Unauthorised expenditure

10. As disclosed in note 38 to the financial statements, unauthorised expenditure to the amount of R2,4 million was incurred, as bulk water expenditure was not included in the approved budget.





Fruitless and Wasteful expenditure

11. As disclosed in note 39 to the financial statements, fruitless and wasteful expenditure to the amount of R67,950 was incurred due to penalty interest being levied on late payment of electricity accounts.

Restatement of corresponding figures

12. As disclosed in note 2 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/2009 in the financial statements of the municipality at and for the year ended 30 June 2008.

Material Losses

13. As disclosed in note 34 to the financial statements, water losses amounting to R16,2 million were incurred during the water distribution process.

Other matters

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

Material inconsistencies in information included in the annual report

14. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

15. The municipality provided supplementary information in the Annexure E1 and E2 to 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 and other supplementary information set out on pages 49 to 65 does not form part of the financial statements and is presented as additional information. I have not audited these schedules accordingly; I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

16. Sections 74(1) and 104(1)(b) of the MFMA were not complied with, in that, reports for all contracts awarded over R100 000 had not been submitted to treasury.
17. Section 71 of the MFMA was not complied with, in that signed reports on conditional grant spending was not timeously submitted to the National Treasury.





Governance framework

18. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below :

Key governance responsibilities

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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	<input type="checkbox"/>	
	The audit committee operates in accordance with approved, written terms of reference.		<input type="checkbox"/>
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		<input type="checkbox"/>





7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	<input type="checkbox"/>	
	The internal audit function operates in terms of an approved internal audit plan.	<input type="checkbox"/>	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in 79 of the MFMA.	<input type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Uthukela District Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

20. Key officials have been available throughout the audit to offer assistance, thus enabling the entity to timeously provide a clear trail of supporting documents. However, insufficient monitoring by management and an ineffective audit committee resulted in material adjustments having to be made to the amounts and disclosure notes to the financial statements. Furthermore, the organisational structure did not address areas of responsibility to support effective controls over performance information reporting.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

21. I was engaged to review the performance information.





The accounting officer's responsibility for the performance information

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

The Auditor-General's responsibility

23. 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.

24. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

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

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

26. The integrated development plan of the Uthukela District Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

27. The internal auditors of the Uthukela District Municipality did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Performance information not received in time

28. An assessment could not be performed of the reliability of the reported performance information, as set out on page 66 to 94 of the annual report, since the information was not received in time for review .





APPRECIATION

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

Auditor - General

Pietermaritzburg

30 November 2009





MANAGEMENT REPORT

For the full Management Report, please see attached





AUDIT COMMITTEE REPORT

AUDIT/PERFORMANCE MANAGEMENT COMMITTEE REPORT

UTHUKELA DISTRICT MUNICIPALITY

The Audit Committee was established in March 2007 in terms of Sec 166 of the Municipal Finance management Act and operates within the framework of the UThukela Municipality Audit / Performance Management Committee Charter that was accepted and approved by council as required by law.

The members appointed by council are

1. Mr. CI Narrandes (Chairperson)
2. Mr. NS Mchunu

Mr. BB Sithole

MANDATE OF THE AUDIT / PERFORMANCEW COMMITTEE

The committee is an independent body that operates within the terms and conditions of the Internal Audit Charter, and, acts in an advisory capacity to the Municipal Council, the Political Office Bearers, the Accounting Officer and the management staff of the municipality in matters pertaining to internal financial control and internal audits, risk management, effective governance, compliance with the various acts and response to the council on any issues raised by the Auditor General.

MAJOR AREA OF CONCERN

In order to address our concerns objectively and without malice it is necessary to state that our line of communication in respect of organizational requirement has been via the Internal auditor and the finance section of the municipality. Misunderstanding of the requirements has lead to the problem mentioned below and the adverse consequences as set out in the report of the Auditor General.

Despite repeated requests for the approval, and calling up of meetings to address issues as required by the charter, the response has not been conducive to meeting the necessary requirements, resulting in a situation that prevented the committee from performing it's duties as set down in the charter. Although we met the minimum requirements in terms of the meetings held, we have failed to address all the issues as required. The result has been that the auditor general has, in it's audit finding, reported adversely on the performance of the audit committee. I refer to pages 17, 18, 46&47 of the detailed management report by the auditor general.

We find this to be deeply distressing and unfair reflection of the abilities and performance of the audit committee. We urge council to seriously reconsider your budgeting for this function as it appears as though the problem has arisen due to budgetary constraints. This inhibits our desire do not only meet minimum requirements, but to also add greater value to all areas of financial management, governance, compliance, risk management and performance management and evaluation.

We look forward to council's response and action plan for the new financial year and years thereafter.





AUDITOR-GENERAL 'S REPORT

We congratulate the Uthukela District Municipality on attaining an unqualified report, with emphasis of matters, for the 2009 financial year. The report from the auditor general lays out the matters concerned and we urge council to put in place systems and controls that will ensure that these concerns are erased from future reports

It must be noted that there has been a deterioration in the financial position of Uthukela and this results in concerns. Some of the factors that create this situation are old and on going and are repeat of last years report. Due to circumstances beyond the control of council, it does seem as though only governmental support – not necessarily in the form of MAP as was the case previously in a manner that will address real issues that will make a significant difference and subsequently prevent this issue from re appearing in the Auditor General's Report in the next financial year.

The other matters of emphasis regarding unauthorized expenditure, fruitless and wasteful expenditure, material changes, material losses inconsistencies in the annual report, non- compliance and the matters of key governances have been addresses in detail by the auditor general and are self explanatory.

A very controllable factor that keeps rearing its ugly are the delays in submitting the information to both he Auditor General and our Internal Auditors. Turn-around times should be closely monitored by managers, in order to ensure compliance in future.

Whilst accepting that the Audit Report is a fairly good one, we must not succumb to the classic response of complacency and the resulting down turn in standards. Complacency can, and often does result, in negative forces replacing the good. Emphasis should be placed on the development of good practices and the eradication of poor quality in all spheres of governance at Uthukela District Municipality.

RECOMMENDATION

Having studied and giving consideration to the Auditor General's Report and Financial statements for the year ended 30 June 2009; we recommend that they be forwarded to Council for its consideration.

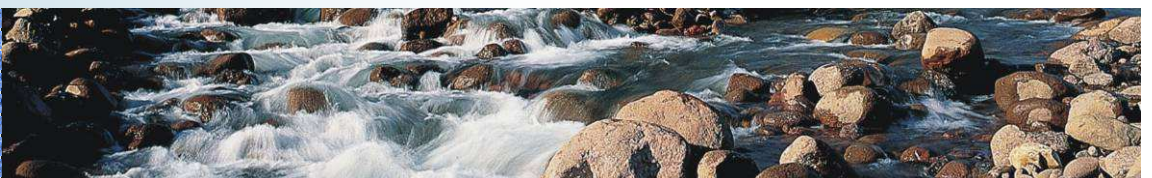
In conclusion we wish to thank all the parties concerned for their participation and assistance in ensuring that our mandate, in terms of the Charter, are adequately met. Our appreciation is extended to the Auditor General's Office and our Internal Auditors PriceWaterhouse Coopers for the advice and guidance afforded us and to the Municipal Manager, the CFO and not forgetting the ladies who have assisted administratively at all our meetings. We look forward to a new financial year based on co-operation, good governance and the highest levels of competency.

Wishing all members of Council, Management and staff of Uthukela, the Auditor General, representatives of PWC and Internal Auditor an improved and successful 2010 financial year.

God Bless

C I Narrandes(Tubby)
(Chairperson - Audit Committee)
pp. Mr. NS Mchunu and Mr. BB Sithole

18 January 2010





Performance 2008/2009

Department Health & Environmental Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Good Governance	To prevent water wastage and water loss	Inputs : Human Resources & Finance Activities : Conduct water conservation awareness event Outputs : At least one water conservation awareness event held Impact : Reduced water loss & wastage	Ongoing End March 2009	Water conservation awareness event was held on the 3 rd March 2009 at Ntabamhlophe Water conservation awareness event was held on the 5 th March 2009 at Ezakheni Section E Water conservation awareness event was held on the 26 th March 2009 at Isiqophamithi Ezakheni Section C
Good Governance	To monitor the quality of water	Inputs: Finance, Human Resources Activities : Taking of water samples Outputs: At least 13 main water purification plants monitored monthly Impact : Safe water supplied to the consumers	Ongoing 12 monthly reports by June 2009	Water samples taken from 13 water works monthly during the past 12 months
Good Governance	To monitor the quality of food	Inputs : Finance, Human Resources Activities : Taking of food samples. Inspection of food premises. Outputs : At least 10 food samples taken per quarter Impact : Safe food consumed by the public	Ongoing 4 quarterly reports by end of June 2009	71 Food samples were taken during the last 12 months
Good Governance	To monitor management of waste	Inputs : Human Resources & Finance Activities : Finalization and implementation of integrated waste management plan Outputs : Documented waste management plan and waste management reports. Impact : Reduced indiscriminate littering	Ongoing End March 2009 4 quarterly reports and 2 recycling projects by June 2009	Integrated Waste Management Plan in place 4 Waste Management Reports complied 3 Waste Recycling Projects initiated





Performance 2008/2009

Department Health & Environmental Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Good Governance	To monitor the ambient air quality	Inputs : Finance & Human resources Activities : Finalization and implementation of air quality management plan Outputs : Documented air quality management plan and air quality management reports Impact : Reduced atmosphere emissions	Ongoing End December 2009 4 Quarterly reports by June 2009	Air Quality Management Plan in place 4 Air Quality Management Reports compiled
Good Governance	To mitigate the impact of HIV/AIDS	Inputs : Finance and Human Resources Activities : Finalization and implementation of HIV/AIDS Strategy Outputs : Documented strategy in place and quarterly reports Impact : Reduced new HIV infections	Ongoing End March 2009 4 quarterly reports by June 2009	HIV/AIDS Strategy in place 4 Quarterly Reports compiled
Good Governance	To conduct health promotion	Inputs : Finance and Human Resources Activities : Organize health promotion awareness events Outputs : Documented health promotion awareness. Impact : Increased community knowledge on prevention of ill-health and promotion of wellness	At least 4 health promotion awareness events held by June 2009	Five Health Promotion Events were held as follows:- World Food Day awareness event held on 14 th October 2008 at Imbabazane HIV/AIDS awareness event held on 9 th December 2008 at St Chads Sports Ground Water Conservation Awareness Event held on the 3 rd March 2009 at Ntabamhlophe area Water Conservation Awareness Event held on the 5 th March 2009 at Ezakheni Section E Community Hall Water Conservation Awareness Event held on the 26 th March 2009 at Isiqophamithi P. School Ezakheni





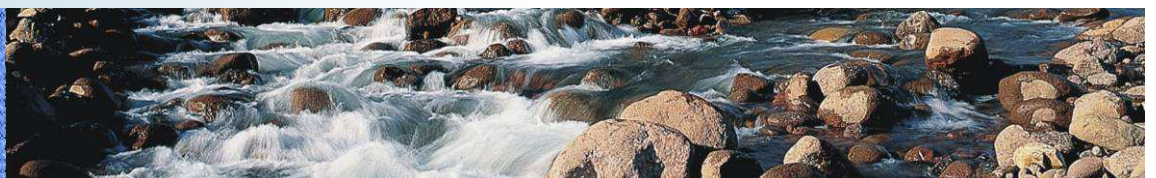
Performance 2008/2009

Department Health & Environmental Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Good Governance	To promote occupational health and safety	Inputs : Finance and Human Resources Activities : Finalization and implementation of work place based employee wellness programme Outputs : Documented employee wellness programme Impact : Reduced occupational diseases and injuries.	Ongoing End March 2009 Health & Safety report by June 2009	Employee Wellness Programme in place Health & Safety Annual Report compiled

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Umhlumayo (Mteyi Extension) Moyeni Zwelisha Ph 4 Dukuza/Hoffenthal	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	This project is 98% complete Generally good progress was achieved during the month. Work on the HDPE reticulation pipelines is now 70% complete, 200mm gravity main 54% complete and PVC reticulation 15%. The steel flanged pipe rising main to the 750 kl reservoir is due to commence shortly. The pump station building walls are being constructed and the base for the elevated tank is due to be poured mid-July. The 250 kl reservoir floor is also nearly ready to be cast





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Driefontein Bulk Water Supply	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	General: Development of the project commenced with project scope Items 2 & 3 - broken down into 10 separate contracts commencing April 2007. Project scope Item 1 to commence during 2011. The remainder of the contracts will be activated with due cognisance of budget allocations for the respective financial years.
		Bergville Bulk		1. Contract 1 - Acton Homes W.S.S.: Indonsa's services terminated. WRK currently investigating and capturing the installed infrastructure on drawing. Lashes Investments cc. to be shortly instructed to complete the outstanding work. 2. Contract No.2 which comprises the bulk water main from Bethany reservoir to Acton Homes & Hambrook, commenced on 15/02/08 and contract completion date set for 01 July'08. The Contractor, however has not yet performed pressure testing and requested to perform the work whilst connection to the Bethany reservoir is performed by the Contract No.3 Contractor - completion expected by end Aug 2009.





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services		Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	3. Contract No.3, which comprises the rising main from Bergville to Bethany and bulk water extension to Greenpoint was awarded to Lashes Investments. The Contract commencement date is 20 May 2009, coinciding with scheduled PSC meetings with Bethany and Greenpoint. The technical hand-over meeting took place on 20 May 2009. Physical construction has just commenced and some 400m trench excavated to date.
		Sahlumbe- Enkaseni San		This project was allocated 581 units for 07/08 financial year. Only 116 units are completed. This project has been on hold for the past four months due to inaccessibility by road transport. Since the KwaLudimbi road has been temporarily sorted out, the project will be able to progress at least one month when the 33 allocated for that area are completed then the project will be on hold until access road to Emangqomfini & Emanseleni is sorted out





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Kwavala San Ph 2	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	The project was allocated 883 units for 08/09 financial year and has completed all units. There is currently one builder on site who is sorting out the snagging.
		Roosboom San		The project was allocated 1055 units for 08/09 financial year and has completed 1055 units with 0 remaining. This project has been completed with only minor snagging being sorted out. When that has been completed the close-out report will be submitted to UTDM
		Zwelisha-Okhahlamba San		This project was allocated 1279 units for 08/09 financial year. 1097 sanitary units are completed with 182 remaining. The project has 10 builders on site with the expected output of 120 units per month. The second site will start soon.
		Kwamkhize San		The project was allocated 1087 units for 08/09 financial year and has completed 975 with 112 remaining. There are 20 builders on site with the expected output of 160 units per month. The project is now divided into two sub areas.





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Emahlutshini San	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	The project was allocated 1119 units for 08/09 financial year. 1114 units are completed with 5 remaining. The remaining 5 is due to non co-operativeness by beneficiaries which has resulted in those beneficiaries being requested to sign a letter stating that they are not willing to assist and accept the sanitary units.
		Jononoskop San		This project was allocated 1429 units for 09/10 financial year. 287 of these units are completed with 1142 remaining. There are 16 builders on site with the expected output of 128 units per month. The project area has been divided into two sub areas to accelerate the construction process.
		Slimangamehlo San		This project was allocated 390 units for 08/09 financial year with 290 units completed and 100 remaining. 27 local builders were recruited with the expected output of 324 units per month. The project has been divided into three sub areas to accelerate the construction programme.





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Emmause San	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	This project was allocated 1301 sanitary units for 09/10 financial year. 192 of those units has been completed with 1109 remaining. The are currently 23 builders on site with the expected output of 176 units per month. The project has 4 sub areas active which is done to accelerate construction.
		Edashi San		The project was allocated 1233 units for 08/09 financial year. 1395 units are completed with -162 (15) remaining. There are 10 builders on site with expected output of 80 units per month.
		Watersmeet San		This project was allocated 1753 units for 09/10 financial year. 112 sanitary units are completed with 1641 remaining. The are 28 builders on site with the expected output of 224 units per month. The project is divided into two sub areas to accelerate progress.





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MIG Water and Sanitation Infrastructure Provision		Ezakheni : Water Borne Sewer Section E Extension Phase2	Implementation of the projects as per MIG cash flows and schedules and other projects – reductions backlogs	The construction of internal sewer reticulation is 100% complete, house connections is 100% complete and top structure foundation slabs is 78% complete. Construction of toilet top structures are in progress and 1303 have been completed (75% complete)
		Ekuvukeni Taxi Rank		Ablution block structure is complete, plastering is on progress. Plumbing is outstanding.
Other Funding Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Indaka Bulk	Submission for approval to DWAF by 30 June 2008	Inclusion of projects in the IDP still to be done. Procurement Policy relating to the appointment of Engineers to be resolved and funding still to be secured.
		Emanjokweni Augmented water Scheme		
		Silimangamehlo/Ema dolobheni San		
		Bergville Sewage and Sewer Reticulation		
		Nobamba Ezitendeni San		
		Nhlawe water supply scheme		
		Newstand Sportsfield		
Nyezane San	Business plan to be re-submitted due to the introduction of a revised policy			





Performance 2008/2009

Department Technical Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Other Funding Water and Sanitation Infrastructure Provision	Backlogs in the provision of sustainable infrastructure, water and sanitation services	Kwahlathi san		Registered
		Jononoskop San		Awaiting registration
		Ntabamhlope Water Supply Ph 2		Awaiting registration
		Obonjaneni San		Registered
		Thembalihle San		Business plan to be re-submitted due to the introduction of a revised policy
National Key Performance Indicators		Percentage of households with access to basic levels of water, sanitation, electricity and solid waste removal	Report by 30 June 2008	

Water Services Department

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Service Delivery	To render service that is efficient and cost effective	Input: Finance, Human Resources Activities: a) Development of maintenance plan b) Adoption of maintenance plan c) Implementation of the maintenance plan Output: a) Developed maintenance plan b) Adopted plan c) Reports on implementation Impact: Customer satisfaction and improved service delivery	Ongoing a) End Dec 08 b) End Feb 09 c) End March 09 a) End Dec 08 b) End Feb 09 c) Done on monthly basis 4 Quarterly reports by end June 09	Ongoing Achieved Achieved Achieved Achieved Achieved Achieved Submitted

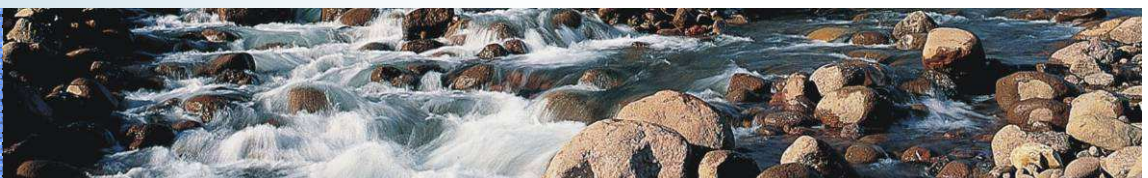




Performance 2008/2009

Water Services Department

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Service Delivery	To provide sustainable potable water and sanitation	Input: Human Resources Activities: To ensure continued supply of potable water Output: Prompt response to burst pipes and sewage blockages Impact: Uninterrupted service delivery	Ongoing 4 Quarterly reports by end of June 2009 Monthly reports to MANCO	Ongoing Submitted Achieved and ongoing
	To create a functional customer care unit	Input: Human Resources Activities: To develop a functional customer care centre Outputs: Customer Care Centre that is effective Impact: Customer satisfaction	Ongoing End of March 2009 Monthly reports to MANCO 4 Quarterly reports by the end of June 2009	Ongoing Reports presented to MANCO Under review for enhancement Ongoing
	To conserve water	Inputs: Finance and Human Resources Activities: Implementation of the water conservation and demand management programme Outputs: Reduced water loss by 25% Impact: Financial saving and enhanced service delivery	4 Quarterly reports by the end of June 2009 End of June 2009 4 Quarterly reports by the end of June 2009	Grant funding acquired Ongoing Project completion – 30/3/2010





Performance 2008/2009

Water Services Department

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Service Delivery	To provide sustainable potable water and sanitation	Inputs: Finance and Human Resources Activities: Engagement with housing forums Outputs: Number of households with basic water Impact: To provide water to new developments	As per scheduled programme 4 Quarterly reports by end June 2009 4 Quarterly reports by end June 2009	Ongoing Delivery hampered due to bulk constraints





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	Outsource the internal audit function	Input: Finance, Human Resources Activities: a)Engagement with the internal audit b)Coordinate IGR Meetings Output: a) Internal Audit reports produced & attend to 20% of the prior year audit queries b)Minutes of all scheduled IGR Meetings Impact: Cooperative governance	Ongoing a) 4 Engagements by end of June 09 b)4 Coordinated IGR meetings by end June 09 a) 4 quarterly reports produced by June 2009 b) 4 Quarterly reports by end June 09	PricewaterhouseCoopers was appointed, internal audit plan was developed and adopted and the draft report has been circulated to audit committee members. The final draft will be submitted before 11 July 2009. Refer annexure 1 of portfolio of evidence for the draft report.
	To mobilise external, Provincial, National & International funding and investments	Input: Finance, Human Resources	Ongoing	Meeting has been held with Thuli (DBSA) on 11 June 2009, where in principle the follow was agreed: 1. DBSA is prepared to consider long term financing should council be prepared to counter fund the loan 2. DBSA would consider grant funding for soft issues to address debt recovery rate in the council 3.Council should make representations for the above in writing 4. Representation on the above has been presented to management. Local Govt. Logan Pillay has been engaged for the possible provincial govt. funding. Budget was not available to mobile international funding.





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	Effective SCM Unit	<p>Input: Finance, Human Resources</p> <p>Activities:</p> <p>a) Production of maintenance plan for vehicle fleet</p> <p>b) Number of reports to MM on the status of SCM unit</p> <p>c) Updating of the asset register</p> <p>d) GAMAP conversion</p> <p>e) Number checks on internal control and reports</p> <p>f) Creditors payments</p> <p>Output:</p> <p>Cost effective and sustainable department</p> <p>Impact:</p> <p>a) Controlled vehicle fleet</p> <p>b) Reduced number of complaint from the SCM unit</p> <p>c) Improved asset management</p> <p>d) Converted Financial statements</p> <p>e) Improved Internal systems</p> <p>f) Timous payment of creditors</p>	<p>Ongoing</p> <p>maintenance plan by 31/12/2008</p> <p>b)-f)</p> <p>4 Quarterly reports submitted to MM by end June 2009</p>	<p>Fleet management policy was developed internally and approved by the council on 27/08/09 which governs how fleet should be maintained, refer Annexure 2 and henceforth pre-printed books have been circulated to all drivers who need to affix them into the vehicles for both accountability on trips made and purpose. Quarterly reports on the status of the supply chain management unit are attached in portfolio refer Annexure 3. The assets register is being updated by A.B. Projects who are employed to convert the assets register to be Grab/Gamap compliant, this will be completed before financial statements are finalised. This process also includes the physical identification and evaluation of assets. (Project co-funded by Prov. Treasury.) Provincial treasury and Council appointed Ernest and Young for the GAMAP conversion, refer Annexure 3 Addendum E for the progress report. The process will be finalised before completion of financial statements.</p> <p>Internal control mechanism have been developed refer Annexure 3 Addendum F, and has been communicated to staff, a supplier data base has been formulated, refer Annexure 3 Addendum G. A data base application form was designed to ensure the capturing of information and as a checking mechanism of the compliance of service providers to procurement regulations, refer Annexure 3, Addendum H.</p> <p>Creditors have been paid in time accept for instances when cash flow did not allow. In order to avoid a re- occurrence, cash flow analysis have been done for 2009/2010</p>





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To enhance the revenue collection process	Inputs: Human Resources Activities: a) Application of credit control b) Number of reports on implementation Outputs: a) Implemented procedure based on new legislation b) Percentage of recovery of billed debtors Impact: Improved culture of payment	a) End June 2009 b) Quarterly reports End June 2009 70% by end June 2009 70% by end June 2009	Refer MANCO minutes (Too bulk for inclusion) Reports are part of the minutes
	Introduction of incentives	Input: Human resources Activities: a) Exploration of incentives and submission to council for consideration b) Number of reports to MANCO and Council on progress Outputs: Research of incentive schemes Impact: Approved incentive scheme by Council	Ongoing Research done by end March 2009 Weekly reports to MANCO and council as scheduled Research done by end March 2009	No new incentive scheme was developed accept for continuation with the council adopted 33,3% down payment, 33.3% arrangement on the full settlement of 33.3% of the debt. Reports on credit control are given weekly to MANCO refer MANCO meetings minutes (it will be too bulky for inclusion)





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	Awareness Campaigns	<p>Input: Finance and Human Resources</p> <p>Activities:</p> <p>a) Number of road shows highlighting the importance of paying for services</p> <p>b) Media awareness campaigns highlighting the importance of paying for services</p> <p>c) Develop material which promote the culture of payment for services</p> <p>d) Procure other mechanisms which will enhance the message on culture of payment</p> <p>Outputs: Improved culture of payment</p> <p>Impact: Improved culture of payment</p>	<p>Ongoing</p> <p>5 Road shows by end June 2009</p> <p>2 campaigns by end June 2009</p> <p>Material developed by end Dec 2008</p> <p>Research and procurement of other mechanisms by March 2009</p> <p>End of June 2009</p> <p>End of June 2009</p>	<p>Due to budget constraints and cash flow problem, message for the importance for paying for services was carried during the 6 budget participation meetings, no separate event was done solely for the importance for paying for services.</p> <p>SMS's were sent to affected consumers monthly</p> <p>Water conservation promotional materials which were designed during the launch of the water week were used to promote the culture of payment.</p> <p>P.R consultants were hired to issue short message texts which were the enhanced method of promoting the culture of payments.</p>
	Preparation and adoption of budget	<p>Input: Human Resources</p> <p>Activities: Technical support to the mayor the correctness, timeous, realistic and submission of the budget</p> <p>Output: Draft municipal budget tabled for adoption by council</p> <p>Impact: Adopted informed budget</p>	<p>Ongoing</p> <p>2 meetings by March 2009</p> <p>Budget tabled for adoption by end of June 2009</p> <p>Budget tabled for adoption by end of June 2009</p>	<p>Budget process plan as previously been adopted by council was followed. Budget was drafted and communicated to stakeholders in the following areas, 02 April - Peacetown, 09 April - Burford, 07 April eKuvukeni, 20 April - Sahlumbe, 08 April ePhangweni and 19 April Bethany. All these stakeholders meetings were a success. After these meeting technical assistance was rendered to the Mayor, this the approval of the budget on 28 May 2009 which is 30 days prior to the commencement of the new financial year as envisaged by the act.</p>

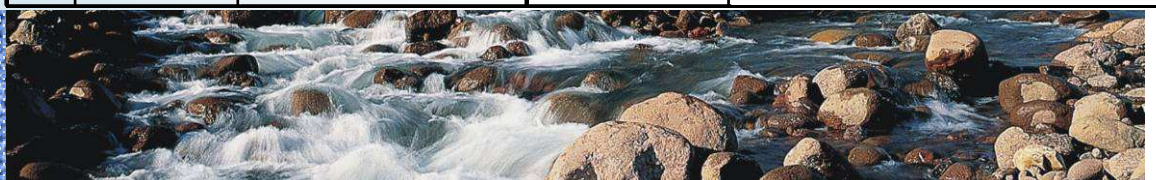




Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To Develop and maintain indigent register	Input: Human Resources Activity: Development of an indigent register Output: Indigent Register Impact: Strengthen Financial Position	Ongoing End February 09 End February 09 End June 09	Indigent register is yet to be developed using indigent registers from local municipality, the unavailability of information from local municipalities complicates this task. System for maintaining will have to be developed, it is understood that proper maintenance of the register is tricky, since one can be indigent now, once employed the next day, it is more likely that that individual will not deregister. Refer Annexure 7 for already drawn up register.
	To review financial policies	Input: Human Resources Activity: a) Updating of credit control and Debt Collection Policy b) Implementation of credit control and debt policy Output: Updated credit control & debt collection policy Impact: a) Strict application of credit control policy b) Increased debt collection	Ongoing a) End December 08 b) End March 09 End Dec 08 a) End March 09 b) End June 09	There were no major circumstances which required the change of the credit control policy thus it remained unchanged. Credit control has been continually implemented. This was enhanced by the appointment of the service provider.
	To identify and report on premises without water	Input: Human Resources Activity: Identification of premises without water metres Output: Report on premises without water metres Impact: Improved collection of revenue	Ongoing Done on monthly basis Done on monthly basis End June 09	Refer reports in Annexure 12





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To identify premises with faulty water meters	Input: Human Resources Activity: Identification of premises with faulty water metres Output: Report on premises with faulty water metres Impact: Improved collection of revenue	Ongoing Done on monthly basis Done on monthly basis End June 09	Refer report in Annexure 13
	To upgrade the billing system	Input: Human Resources Activity: Identification of premises not in the billing system Output: Billing of previously unbilled properties Impact: Increased revenue collection	Ongoing Done on monthly basis Done on monthly basis End June 09	Also refer Annexure 13 for report
	To maintain the asset register	Input: Human Resources & Finance Activity: a) Update asset register b) Development of an asset management strategy c) Unbundling of assets Output: a) Updated asset register b) Developed asset management strategy c) GAMAP compliance asset register Impact: Improved asset management	Ongoing a) End June 09 b) End April 09 c) End June 09 a) End June 09 b) End April 09 c) End of June 09 End June 09	With conversion to Grab/ Gamap, assets are being evaluated and an appropriate depreciation is calculated by A.B. Projects, this process will culminate in an updated asset register. This will be finalised before the end of the financial year. A.B. Projects who are preparing assets register are to compile the asset maintenance plan, this will be achieved in 2009/2010 financial year





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To minimise the risk of fraud	Input: Human Resources Activity: Develop a fraud prevention plan Output: Fraud prevention plan Impact: Min risks on fraud	Ongoing End Dec 08 End Dec 08 End June 09	Fraud prevention plan has been formulated and been approved, refer Annexure 8 attached together with the training manual.
	To create a functional risk management system	Input: Human Resources Activity: Establishment of a risk management committee Output: Functional risk management committee Impact: Reduced risks	Ongoing End Dec 08 End March 09 End June 09	Management meeting has always been the risk committee Refer external audit response.
	To capacitate the audit committee	Input: Human Resources Activity: Assistance to audit committee Output: Capacitate daudit committee Impact: Capacitate daudit & functional committee	Ongoing Quarterly Quarterly End June 09	Assistance has always been given to audit committee, refer draft audit response.
	To develop disaster centre	Input: Human Resources Activity: Assist in the establishment of a disaster IT recovery plan Output: Disaster IT recovery (continuity) plan Impact: Reduced risks	Ongoing End March 09 End March 09 End March 09	No budget was made available to do IT audit, however necessary backups are done to secure IT failures.





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To respond to audit reports	Input: Human Resources Activity: Addressing the findings on internal and external audit report Output: Unqualified Audit Report Impact: Addressed findings of audit reports	Ongoing Bi-annually End June 09 End June 09	Refer a ction plan attached which addressed external audit queries, final report is awaited for internal audit once received action plan will be formulated to do the same. Refer Annexure 9
	To align budget processes with IDP process plan	Input: Human Resources Activity: Prepare and adopt the budget process plan aligned to IDP process plan Output: Budget process plan that is informed by the IDP Impact: Budget and IDP that is integrated	Ongoing As per IDP and Budget process Quarterly reports Quarterly reports	Budget process plan was adopted hence budget was adopted in time.
	To ensure accurate budget allocation	Input: Human Resources Activity: Render assistance to the Mayor for timeous approval of the budget Output: Approved budget Impact: Improved service delivery	Ongoing As per Budget process Bi-annual Reports Quarterly reports	Budget was tabled and consequently approved in time for a doption. Refer Annexure 11
	To embark on public participation of budget adoption	Input: Human Resources Activity: Communication of a draft budget Output: Budget consultation meetings Impact: Improved service delivery	Ongoing As per Budget process As per Budget process Quarterly reports	Budget participation meeting were arranged and adhered to, refer Annexure 13





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To adjust budget according to municipal performance	Input: Human Resources Activity: Preparation and adoption of adjusted budget Output: Adjusted budget adopted Impact: Improved service delivery	Ongoing End January 09 End January 09 Quarterly reports	Adjusted budget was prepared and adopted
	To inform stakeholders on budget performance	Input: Human Resources Activity: Report to stakeholders on budget performance Output: Reports Impact: Improved service delivery	Ongoing Done on quarterly basis 4 Quarterly reports by end June 09 Quarterly reports	Stakeholders are mailed budget statements monthly
	To maintain the management of organisation fleet	Input: Human Resources Activity: Adoption and implementation of fleet management policy Output: Adopted fleet management policy Impact: Effective asset management	Ongoing End December 08 End December 08 4 Quarterly reports by end June 09	Fleet management policy was adopted Refer Annexure 2 and council resolution
	To auction redundant vehicles	Input: Human Resources Activity: Auction redundant stock/assets Output: Action Impact: Getting rid of redundant stock	Ongoing End December 08 End December 08 Quarterly reports	Redundant assets were identified and auctioned refer Annexure 4 In 2010 this process will be done with the inclusion of other stock.





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To implement MPRA	Input: Human Resources & Finance Activity: Establishment of evaluation roll Output: Evaluation roll Impact: Increased revenue collection	Ongoing End Nov08 End Nov08 Monthly reports	Provincial treasury and Council appointed Ernest and Young to carry out this project, refer Annexure C Addendum D for the progress report. The process will be finalised before completion of financial statements.
	To implement MPRA	Input: Human Resources Activity: Implementation of MPRA to DMA Output: Compliance to MPRA Impact: Increased revenue collection	Ongoing End June 09 As stated by the Act 1 Report by end June 09	Council undertook to implement the act, subsequent to that, a workshop was arranged with councillors and senior management. Various notices as required by the act were published. Council approved the policy and bylaws on 28 March 2009 refer Annexure 5 in portfolio of evidence. Included is the Evaluation roll for DMA affected properties.
	To implement Municipal by-laws	Input: Human Resources Activity: Adoption of rates policy and by-laws Output: Adopted rates policy and by-laws Impact: Implementation of the policy and by-laws	Ongoing End March 09 End March 09 1st of April 09	Rates policy was adopted on 28 May 2009 refer Annexure 6 for Council resolution extract. Bylaws are effective from 1 July 2009





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To upgrade and maintain Service Providers database	Input: Human Resources Activity: Establishment of an improved database management system Output: Upgraded data base Impact: Improved supply chain turnaround time	Ongoing End Feb 09 End Feb 09 2 Quarterly reports by end June 09	Service Providers database was developed and updated refer Annexure 7. Proposal was made to management for electronic software, however budget constrains only allowed Council to wait for Munsoft update for computerised Supply Chain Management
	To enhance SCM process of organisation	Input: Human Resources Activity: Development of points allocation to tender awards Output: Tenders awarded compliant to act Impact: Tenders awarded fairly	Ongoing End Dec 08 Reports on awarded tenders Reports on awarded tenders	Points allocation system adopted by Council in 2000 has not been changed, process is in place to accommodate new developments in supply chain unit. Refer Annexure 10 for the item for the points scoring
	To enhance departmental functionality	Input: Human Resources Activity: Meetings with credit control staff Output: Reports Impact: Improved departmental functionality	Ongoing Weekly 4 Quarterly reports by end June 09 4 Quarterly reports by end June 09	Refer to MANCO minutes





Performance Targets for 2008/2009

Department Financial Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Financial Viability	To enhance financial administration capacity to comply with legal requirements	Input: Human Resources Activity: Meetings with departmental staff Output: Reports Impact: Improved departmental functionality	Ongoing Monthly 4 Quarterly reports by end June 09 4 Quarterly reports by end June 09	One Departmental Staff Meeting has been held.
	To enhance intergovernmental relations in financial matters	Input: Human Resources Activity: Participate in the District CFO Forum meetings Output: Reports Impact: Improved inter-municipal relations	Ongoing Quarterly 4 Quarterly reports by end June 09 4 Quarterly reports by end June 09	The structure is yet to be revived, I contacted KwaNaloga to revive the structure since the local one was disbanded with the formulation of an all inclusive (incl. departments) structure, this meeting has not materialised.
	To improve financial management	Input: Human Resources Activity: Development of a turnaround plan Output: Turnaround plan Impact: Improved financial plan	Ongoing End Dec 08 End Dec 08 Quarterly reports	Turnaround strategy been developed, yet to be adopted and modified by management, refer Annexure 11





Performance Targets for 2008/2009

Department Corporate Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
GOOD GOVERNANCE	To promote sound administration within the applicable legal mandate	Input: Human Resources Activities: a) Rendering secretarial support b) Number of reports on maintenance of buildings Output: a) Properly governed institutions b) Conducive working environment Impact: a) Improved administrative support b) Improved working conditions	Ongoing 4Quarterly reports by the end of June 2009 4Quarterly reports by the end of June 2009 4Quarterly reports by the end of June 2009 Monthly reporting on progress to MANCO 2 internal surveys By end June 2009 2 internal surveys By end June 2009	Verbal reports are forwarded to MANCO Action taken.
	Engagement of the private security provider	Input: Finance, Human Resources Activities: a) Monitoring of the existing security contract b) Number of reported and solved cases c) Number of reports on progress made Output: Safety of staff members Impact: Safety of staff members	Ongoing Monthly reporting on progress to MANCO 4Quarterly reports by the end of June 2009 4Quarterly reports by the end of June 2009 Quarterly reports by the end of June 2009 Quarterly reports by the end of June 2009	Progress is reported on a monthly basis.





Performance Targets for 2008/2009

Department Corporate Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
Good Governance	Development, adoption and implementation of the public safety program	Input: Human Resources Activities: a) Development of the programme b) Approval and adoption of the programme by the MM c) Implementation and the monitoring of the programme Output: Safety in the region Stability in the region Impact: a) Program drawn b) Adoption of programme	Ongoing 1 programme by December 2008 Adopted programme by the end of December 2008 Quarterly reports by the end of June 2009 Ongoing Ongoing 1 programme by December 2008 Adopted programme by the end of December 2008	Proper tender procedures were followed and four (4) security companies were appointed to render security services within the following areas, i.e. Emnambithi, Okhahlamba, Indaka & Umtshezi/ Imbabazane.
	To facilitate a swift response to incidents of disaster	Inputs: Finance, Human Resources Activities: a) Review of the Plan b) Adoption of the reviewed plan c) Number of capacity building exercises d) Implementation of the plan Outputs: Disaster Management Plan Impact: Reduced risks to potential disasters	Review by end of December 2008 Adoption by end of December 2008 1 Capacity building session by December 2008 Monthly reports to MANCO by end of June 2008 Quarterly reports by the end of June 2008	Disaster Management Plan needs to be outsourced, which requires the necessary budget to be in place.





Performance Targets for 2008/2009

Department Corporate Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Skills audit	Input: Human resources Activities: Gathering of skills profiles Output: A profile of individual staff skills Identification of skill gaps Impact: Organisation of relevant training	Ongoing 1 Skills profile by December 2008 1 Skills profile by December 2008 1 Assessment by end June 2009 Training by the end of June 2009	Grants from SETA used for training. Skills Audit is being done, but needs to be outsourced.
	Development of workplace skills plan	Input: Human Resources Activities: a) Gather the employees skills profiles b) Identify training needs out of the IDP objectives c) Compilation of the training plan d) Reporting on previous years training Outputs: a) Compilation of the work place skills plan b) Receipt of the discretionary grant funding for training Impact: Coordinated workplace structure	Ongoing 1 Skills profile by December 2008 Training needs identified by September 2008 Training plan compiled by September 2008 1 Report done by September 2008 1 Work place skills plan by December 2008 End of December 2008 End of June 2008	Workplace Skills Plan is in place.





Performance Targets for 2008/2009

Department Corporate Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	To create an environment within the district that does not reflect the apartheid past	Input: Human Resources Activities a) Reviewal of EPP b) Adoption of the reviewed plan c) Implementation of the plan d) Monitoring and reporting of the plan Output: Institutional support Impact: Gender equality in the organization	Ongoing 1 Review and report by December 2008 Adoption by December 2008 Ongoing Monthly reporting to MANCO Quarterly reports by end June 2009 End of 2008	
	Develop, adopt and implement policies	Input: Human Resources Activities a) Develop HR policies b) Adoption of policies c) Monitor implementation of policies Output: Adopted HR policies Impact: Informed decisions	Ongoing Policies developed by December 2008 1 Policy adopted by December 2008 Quarterly reports by end June 2009 Policies adopted by December 2008 Ongoing	Adopted





Performance Targets for 2008/2009

Department Corporate Services

KPA	OBJECTIVES	KEY PERFORMANCE INDICATORS	TARGETS	STATUS AS AT 30 JUNE 2009
GOOD GOVERNANCE	Holding consultation meetings on service delivery	Input: Human Resources Activities: a) Facilitate community meetings b) Community awareness on service delivery campaigns Outputs: Community Meetings Impact: Informed Communities	Ongoing 2 community meeting by end June 2009 2 community awareness campaigns by end June 2009	A number of community meetings were held in accordance with the Mayor's programme. 2 X Awareness Campaigns were held i.e. Youth Day & 2009/2010 Budget/IDP.
MUNICIPAL TRANSFORMATION	Reviewal of the employment equity plan	Input: Human Resources Activities: a) Reviewal of the plan b) Adoption of the reviewed plan c) Workshop on the plan d) Implementation of the plan e) Monitoring of the plan Outputs: a) The reviewed EEP b) Adopted plan c) Understanding of the plan d) Balanced organogram e) Submission of monthly reports Impact: Gender equity in the organisation	Ongoing a) End Dec 08 b) End Dec 08 c) End March 09 d) End March 09 e) 2Q quarterly reports by end June 09 a) End Dec 08 b) End Dec 08 c) End March 09 d) Ongoing e) 2Q quarterly reports by end June 09 ongoing	Reviewed but needs some input from Management members. (Draft in place.)





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

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Mr SSB Nkehli
The Accounting Officer
Uthukela District Municipality
P.O.Box 116
Ladysmith
3370

24 November 2009

Reference: 21445REG0809

Dear Mr Nkehli

MANAGEMENT REPORT ON THE REGULARITY AUDIT AND THE AUDIT OF PERFORMANCE INFORMATION OF THE UTHUKELA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

INTRODUCTION

1. This management report is provided to the accounting officer of the Uthukela District Municipality in connection with our audit of the financial statements and the review of the performance information for the year ended 30 June 2009.
2. The report contains the following main subsections:
 - The Auditor-General's responsibilities
 - The Accounting officer's responsibilities
 - Significant findings from our audit of the financial statements
 - Financial matters
 - Governance matters
 - Significant findings from our review of the performance information
 - Significant findings from specific focus areas
 - Information on audits conducted other than on the financial statements
 - Investigations
 - Performance audits
 - Special audits
 - Ratings of the audit findings
 - Summary of detailed audit findings
3. Annexures A, B, and C contain information on the detailed audit findings. The detailed findings were communicated during the course of the audit and include management's responses thereto.

THE AUDITOR-GENERAL'S RESPONSIBILITIES

4. Our responsibility is to express an opinion on the financial statements and to report on findings related to our review of performance information. Our engagement letter sets out our responsibilities in detail. These include the following:
 - Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether caused by fraud or error.
 - Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements.
 - Considering internal controls relevant to the entity's preparation and fair presentation of the financial statements.
 - Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
 - Evaluating the overall presentation of the financial statements.
 - Expressing an opinion on the financial statements based on the audit in accordance with the International Standards on Auditing (ISAs).
 - Evaluating non-compliance with applicable legislation relating to financial matters, financial management and other related matters.
 - Evaluating the appropriateness of controls, systems and processes to ensure the accuracy and completeness of reported performance information.
 - Reading other information in documents containing the audited financial statements.
5. Because of the test nature and other inherent limitations of an audit, we do not guarantee the completeness and accuracy of the financial statements or performance information, or compliance with all applicable legislation.
6. Having formed an opinion on the financial statements we may draw the user's attention, when in our opinion it is necessary to do so, by way of additional communication in the auditor's report to:
 - a matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to user's understanding of the financial statements; or
 - as appropriate, any other matter that is relevant to the user's understanding of the auditor's responsibilities or the auditor's report.

These items are normally included under the headings 'emphasis of matter' and 'other matters' respectively in the auditor's report and include an indication that they do not affect the auditor's opinion.

THE ACCOUNTING OFFICER'S RESPONSIBILITIES

7. The accounting officer's responsibilities are set out in detail in the engagement letter. These include the following:
 - The preparation and fair presentation of the financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP).
 - Designing, implementing and maintaining internal controls relevant to the preparation of the financial statements.

- Selecting and applying appropriate accounting policies, and making accounting estimates that are appropriate in the circumstances.
- Disclosing known instances of non-compliance or suspected non-compliance with laws and regulations, of which the effects should be considered when preparing financial statements.
- Monitoring and reporting on performance against predetermined objectives.
- Providing access to all information that is relevant to the preparation of the financial statements and performance information, such as records, documents and other matters.
- Disclosing all matters concerning any risk, allegation or instances of fraud.
- Accounting for and disclosing related party relationships and transactions.

SIGNIFICANT FINDINGS FROM OUR AUDIT OF THE FINANCIAL STATEMENTS

FINANCIAL MATTERS

Material misstatements not corrected at the date of this report

8. No uncorrected material misstatements.

Material misstatements corrected during the audit

9. The following represents the material misstatements arising from a difference between the amount, classification or presentation of a reported financial statement item and the amount, classification or presentation that is required for the item to be in accordance with the applicable financial reporting framework. These misstatements were identified during the audit and were corrected by management. These misstatements were not prevented or detected by the municipality's system of internal control. We urge management to implement improved controls over the matters reflected as the root cause for the misstatements.

Financial statement item	Reason for misstatement	Dr	Cr	Root cause(s) (as per table below)
		R	R	
Accumulated Surplus/Deficit 07/08	No liability recorded for the prior year in respect of post retirement medical aid benefits	R10,938,261		CE 5, M1
Retirement benefit obligations (07/08)			R10,938,261	
Current Service costs 08/09	Recognition of the actuarial loss for the current year and reversal of the total retirement benefit obligation recognised in the current year.	R 2,575,427		CE 5, M1
Retirement benefit obligations 08/09		R10,874,523		
Accumulated Surplus/Deficit 0809			R13,449,950	
Accumulated Surplus/Deficit	Unrecorded liabilities payable to other local municipalities	R4,072,894.47		CE 5, M1
Contingent liability (Disclosure)			R 1,358,914	
Trade and other payables			R 2,713,980	

10. The following represents the material misstatements that arose from a difference between the disclosures in the financial statements and the **disclosures** required by the financial reporting framework. These misstatements were identified during the audit and were corrected by management. These misstatements were not prevented or detected by the municipality's system of internal control. We urge management to implement improved controls over the matters reflected as the root cause for the misstatements.

Financial statement item	Disclosure	Amount R	Root cause(s) (as per table below)
Unauthorised Expenditure 08/09	Non disclosure of bulk water purchases for the 08/09 financial year unbudgeted for	R2,454,919	CA 5, M 1
Unauthorised Expenditure 07/08	Non disclosure of bulk water purchases for the 07/08 financial year unbudgeted for	R2,369,385	CA 5, M 1
Contingent liabilities	Legal confirmation indicated a contingent liability of R4,000,000.00 Uthukela DM disclosed a contingent liability of R4,000.00	R4,000,000	CE 5

Legend	
CE = Control environment (ISA 315.14(b) and A69-A75)	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and security of the data.	2
Manual or automated controls are not designed to ensure that the transactions occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control	3

processes and responsibilities by personnel.	
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Reviews by internal audit, the audit committee or self-assessment are not evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Funding of operations/Financial sustainability/Going concern

11. While the Uthukela District Municipality has prepared financial statements on a going concern basis, there are a number of indicators that its financial sustainability is under threat. These include the following:

- Conditional Grants of R29, 1 million had been utilised for operational expenditure.
- Debtor non payment for water and sanitation services and a resultant 61% Increase in consumer debtors from the prior year.
- Payments to creditors not made within the prescribed timeframes as contained in the MFMA due to cash flow difficulties.
- The municipality incurred a net deficit of R64,3 million for the year ended 30 June 2009.

Qualitative aspects of accounting practices

Selection of accounting policies

12. The accounting officer's report indicates that the municipality has changed the basis of accounting from IMFO standards to South African Standards of Generally Recognised Accounting Practice (GRAP) as issued by the Accounting standards Board in accordance with Section 122(3) of the MFMA.

Material losses/impairments

13. As disclosed in note 34 to the financial statements, distribution losses amounting to R16,2 million was incurred during the water distribution process.

Unauthorised/fruitless and wasteful/irregular expenditure

14. The Uthukela District Municipality incurred fruitless and Wasteful expenditure due to penalty interest being levied for late payment of electricity accounts. The projected costs of penalty interest not included in the fruitless and wasteful expenditure disclosure note is estimated to amount to R67 950,04

15. Unauthorised expenditure amounting to R2 454 919 (2008/09) and R2 369 385 (2007/08) was not disclosed in the financial statements. This bulk water expenditure from DWAF had been incurred but was not included in the municipality's approved budget.

Budgetary control

16. No material findings were identified during our audit

Accounting discipline

17. No material findings were identified during our audit

Financial indicators/ratios

18. The following are key financial indicators at the municipality. The indicators are not in line with the expected norms for this type of entity. We recommend that management implement stringent controls to normalise them to ensure the continued effective operation of the municipality.

- a. Current ratio: 0.3:1 compared to the norm of 2:1
- b. Debt collection: 815 days

Significant uncertainties

19. No significant uncertainties were identified during our audit

Financial reporting systems

20. No material findings were identified during our audit

Revision of the previously issued financial statements

21. There were no revisions to previously issued financial statements.

Accounting reforms

22. No material findings were identified during our audit

GOVERNANCE MATTERS

Material inconsistencies in information included in the annual report

23. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Internal audit

24. Although the municipality has an internal audit function, it is not adequate for the purposes of the audit for the following reason:

- The internal auditors did not continuously audit performance measurements and submit quarterly reports on these audits to the municipal manager and the audit committee in compliance with section 14 (c) of the Municipal Planning and Performance Management Regulations, 2001.

Audit committee

25. The audit committee did not meet prior to the submission of the financial statements for auditing on 31 August, to review the adequacy, reliability and accuracy of the financial statements.

Management of risk

26. The municipality did not conduct a risk assessment as required by section 62(1)(c)(i) of the MFMA. Consequently a risk management strategy had not been documented to address identified risks.

Prior year observations and recommendations addressed

27. Prior year observations and recommendations were substantially addressed.

Unavailability of key personnel

28. Key personnel were available during the audit

Adequacy and competence of financial reporting personnel

29. The municipality has a full time chief financial officer and other financial reporting personnel

Unavailability of expected information

30. No significant delays were experienced in obtaining required information

Late submission of financial statements

31. Financial statements were received on 31 August 2009 in compliance with MFMA.

Related parties

32. No related parties requiring disclosure were identified

Performance rewards

33. No material findings were identified during our audit

Non-compliance with applicable legislation

MFMA, Municipal Systems Act

34. Sections 74(1) and 104(1)(b) of the MFMA were not complied with, in that, reports for all contracts awarded over R100 000 had not been submitted to treasury.

35. Section 71 of the MFMA was not complied with, in that signed reports on conditional grant spending was not timeously submitted to the National Treasury

SCOPA / Oversight resolutions

36. The municipality was not required to attend any SCOPA hearings in the 2008/09 financial year

Key governance responsibilities

37. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Many of these have been addressed in detail above. The table below reflects how certain of the financial and governance matters as well as other matters included under the reporting on performance information below, will be reported in the auditor's report.

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>

No.	Matter	Y	N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input type="checkbox"/>	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> • The municipality had an audit committee in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> • The audit committee operates in accordance with approved, written terms of reference. 		<input type="checkbox"/>
	<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. 		<input type="checkbox"/>
7.	Internal audit		
	<ul style="list-style-type: none"> • The municipality had an internal audit function in operation throughout the financial year. 	<input type="checkbox"/>	
	<ul style="list-style-type: none"> • The internal audit function operates in terms of an approved internal audit plan. 	<input type="checkbox"/>	
	<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. 	<input type="checkbox"/>	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA resolutions have been substantially implemented.	<input type="checkbox"/>	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Uthukela District Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	<input type="checkbox"/>	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	

Achievement of good practice indicators

The following good practices are the drivers of audit results. We have indicated our assessment of the municipality's achievement of these good practices, based on the matters included elsewhere in this report.

	Good practice	Y	N
1	Clear trail of supporting documentation that is easily available and provided timeously.	<input type="checkbox"/>	
2	Quality of financial statements and related management information.		<input type="checkbox"/>
3	Timeliness of financial statements and management information.	<input type="checkbox"/>	
4	Availability of key officials during audits.	<input type="checkbox"/>	
5	Development and compliance with risk management and good internal control and governance practices.		<input type="checkbox"/>
6	Leadership/supervision and monitoring.	<input type="checkbox"/>	

38. Key officials have been available throughout the audit to offer assistance, thus enabling the entity to timeously provide a clear trail of supporting documents. However, insufficient monitoring by management and an ineffective audit committee resulted in material adjustments having to be made to the amounts and disclosure notes to the financial statements. Furthermore, the organizational structure did not address areas of responsibility to support effective controls over performance information reporting.

SIGNIFICANT FINDINGS FROM OUR REVIEW OF THE PERFORMANCE INFORMATION

39. The following shortcomings were identified in relation to the managing of, and reporting on, performance information:

- Performance Information was not received in time for audit purposes.
- There was overall non-compliance with the legislative requirements pertaining to the planning, monitoring and reporting of performance information.
- The integrated development plan did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA.
- The audit committee did not review the performance management system and make recommendations in this regard to the council.

SIGNIFICANT FINDINGS FROM SPECIFIC FOCUS AREAS

40. No audit findings

INFORMATION ON AUDITS CONDUCTED OTHER THAN ON THE FINANCIAL STATEMENTS

Investigations

41. There were no investigations conducted during the year.

Performance audits

42. There was no performance audits conducted during the year.

Special audits

43. There were no special audits during the year.

RATINGS OF DETAILED AUDIT FINDINGS

44. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report.

These matters should be addressed as a matter of urgency.

- Other important matters – deficiencies that could adversely affect the entity's ability to initiate, record, process and report financial data consistent with the assertions of management on the financial statements and in accordance with the applicable basis of accounting. Unacceptable risk that errors and irregularities may occur that will not be prevented or detected by the internal controls in good time.

These matters should be addressed within the next 12 months.

- Administrative matters – non-material non-compliance with applicable legislation, or misstatements in the financial statements that are unlikely to affect the decisions of a user and do not affect the financial statements as a whole, or opportunities for improvement, or other matters of governance interest.

These matters should be addressed at the discretion of the entity.

45. Failure to address matters reported in a particular category may result in the matter being rated as more significant in the next financial year.

APPRECIATION

46. We would like to express our appreciation for the courtesy extended and assistance rendered by the staff of the Uthukela District Municipality during the audit.

Yours sincerely

Vanuja Maharaj

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Distribution:

CEO

CFO

Audit committee chair

Head of internal audit

SUMMARY OF AUDIT FINDINGS

Page. no.	Finding	Classification	Control Component	Impact on audit report				Other important matters	Administrative matters	Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities				2007/08	2006/07	2005/06
GRANTS													
15	Conditional grants used for operational expenditure	Financial	Control activities		✓					Yes	✓		
MATTERS OF GOV/INT AUD/COMMITTEE													
16	Risk assessment not performed.	Control	Control environment			✓				Yes	✓		
17	Audit committee not fully functioning	Control	Control environment			✓				Yes	✓		
COMPL. WITH LEGISL. (NON-AFS)													
19	Reports to treasury on awarded contracts not submitted	Compliance (Non-AFS)	Control activities			✓				Yes	✓		
19	Reports to treasury on conditional grant spending not submitted timeously to treasury	Compliance (Non-AFS)	Control activities			✓				Yes	✓		
PERFORMANCE INFORMATION													
20	Annual Performance report not submitted	Performance information	Control environment				✓			Yes	✓		
21	Contents of the IDP	Performance information	Control environment				✓			No			
22	Internal auditing of performance measurements	Performance information	Control environment				✓			Yes	✓		
REVENUE													
24	Trade effluent income not accurate	Financial	Control					✓		No			

Page no.	Finding	Classification	Control Component	Impact on audit report				Other important matters	Administrative matters	Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities				2007/08	2006/07	2005/06
			environment										
25	Penalty interest overstated by outstanding balances on inactive accounts.	Financial	Control environment					✓		No			
26	Ezakheni area not being billed for consumption of water.	Financial	Control environment					✓		No			
27	Distribution losses	Control	Control environment					✓		Yes	✓		
OPERATING EXPENDITURE													
27	Payments not made within 30 days	Compliance (Non-AFS)	Control activities					✓		Yes	✓		
TAXES													
28	Input VAT incorrectly debited to expense vote	Financial	Control activities					✓		No			
30	VAT claimed from non-registered vendors	Financial	Control activities					✓		Yes	✓		
EMPLOYEE COSTS													
31	Overtime - Monthly overtime exceeds 30% of employees monthly salary	Control	Control activities					✓		Yes	✓		
PROPERTY, PLANT & EQUIPMENT													
35	Fixed asset register discrepancies	Value for money	Control activities					✓		No			
36	Assets disposed not reflected on the fixed asset register	Control	Control activities					✓		No			
38	Assets not tagged	Value for money	Control activities					✓		No			

Page no.	Finding	Classification	Control Component	Impact on audit report				Other important matters	Administrative matters	Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities				2007/08	2006/07	2005/06
39	Physical verification of assets	Control	Risk assessment process					✓		No			
RECEIVABLES													
40	No policy in place for long outstanding debtors	Control	Control environment					✓		Yes	✓		
INVENTORY													
41	Inventory reconciliations are not performed.	Control	Control activities					✓		No			
41	Inaccurate valuation of stock	Control	Control activities					✓		No			
PAYABLES/ACCRUALS													
42	Accruals listing incomplete	Financial	Monitoring of controls					✓		No			
43	Reconciliation of deposit register	Control	Monitoring of controls					✓		No			
44	Approved tariffs not used for Consumer deposits	Financial	Control environment					✓		No			
45	Leave provision not correct	Financial	Monitoring of controls					✓		Yes	✓		
MATTERS OF GOV/INT AUD/COMMITTEE													
46	Effectiveness of internal audit not assessed by the audit committee.	Control	Control environment					✓		Yes	✓		
COMPL. WITH LEGISL. (NON-AFS)													

Page. no.	Finding	Classification	Control Component	Impact on audit report				Other important matters	Administrative matters	Reported in previous years	In which years was it reported		
				Qualification	Emphasis of matter	Other matters	Other reporting responsibilities				2007/08	2006/07	2005/06
47	Other non-compliance MFMA – Websites	Compliance (Non-AFS)	Control activities					✓		No			
48	Revenue - Rollover of unspent conditional grants not approved	Control	Risk assessment process					✓		No			
FRUITLESS & WASTEFUL EXP.													
49	Interest on electricity payments not classified as fruitless and wasteful	Financial	Control activities					✓		No			
OTHER													
50	Vacancies in the finance component	Control	Control environment					✓		Yes	✓		
51	Tender documents not submitted for audit purposes	Control	Control activities					✓		No			
PERFORMANCE INFORMATION													
52	Service delivery budget implementation plan (SDBIP)	Performance information	Control environment					✓		No			
53	No regular performance reporting	Performance information	Control environment					✓		Yes	✓		
EMPLOYEE COSTS													
55	No electronic leave recording system	Control	Control environment						✓	Yes	✓		

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

A. AUDIT REPORT: EMPHASIS OF MATTER

1. GRANTS

1.1 EX 45 - Conditional grants used for operational expenditure

Audit Finding

In terms of the conditions stipulated in the memorandums of undertakings of conditional grants received by the municipality; grants can only be utilised on specific projects per the grant conditions and for specific purposes based on the relevant project business plans. Contrary to the stipulations per the memorandum of agreement, conditional grants have been utilised for purposes other than the purpose for which the grant was intended.

These grants have been spent on operational costs incurred during the period consequently unspent grant creditor at year end is not backed by cash and investments. This is evidenced by the following balances per the annual financial statements as at 30 June 2009:

Extract of the 08/09 Financial Statements

Unspent conditional grants creditor	R 32,311,781.00
Cash and cash equivalents	R 3,203,769.00
Investments	NIL
Difference	R 29,108,012.00

Root Cause

- Unconditional grants and water revenue are insufficient to fund the operations of the municipality and / or this income and operational costs are not being effectively managed to prevent the need to utilise conditional grants for operational needs.

Risk

- Little or no spending can take place on projects for which conditional grants were intended thus having a negative impact on service delivery.
- Conditional grants may be withheld due to the fact that these grants are being used for purposes other than the intended projects. The municipality may cease to be a viable going concern.

Recommendation

- Management should prepare action plans to improve the budgeting process, reduce costs, utilise revenue and grants more effectively and efficiently, and obtain additional operational funding if necessary.
- As and when the operations are able to be sustained solely by funding designated for that purpose, unspent conditional grant funding should be kept in a bank account separate to the primary bank account.

Management response

I am in agreement with the finding, the above situation is not as a result of councils own making, and various factors can be attributed to the current working capital position of the municipality.

These factors were reported to the provincial departments affected and other stakeholders including the past president of the country.

These issues were dealt with in detail in the past audits under the topic 'going concern'. They emanated among other things the following,

- a) Demarcation processes
- b) Cost of free basic services
- c) Impact of non payment for services
- d) Change in powers and functions
- e) Global economic meltdown
- f) Implementation of Infrastructural projects with no accompanying operations and maintenance provisions.
- g) Limitations in tariff modeling (as a result of external factors e.g. increase in electricity costs etc.)

Management has come up with the strategy to turn the situation around (refer annexure marked communication 5 Ex. 45).

It is hoped that in the near future the question of non payment factor and prepaid mode of water supply will be the way forward in order to ensure sustained service delivery.

Name: J.N. Madondo

Position:

Date: 03/11/2009

Auditor's response

Management comment is noted. However, the matter will be included in the audit report as it affects the ability of the municipality to continue as a going concern and may result in grants being recalled.

B. MATTERS OF GOVERNANCE

1. INTERNAL AUDIT AND AUDIT COMMITTEE

1.1 EX 2 - Risk assessment not performed

Audit Finding

Section 62(1)(c)(i) of the Municipal Finance Management, Act (Act No. 56 of 2003) (MFMA) bears reference: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure - that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

Contrary to the above section and section 6.1 of the internal audit charter, risk assessments were not conducted by the internal auditors during the 2008/2009 financial year.

Root Cause

Policies and procedures were not adhered to and adequate steps were not undertaken to ensure that risk is assessed and responded to timeously

Risk

- Management is not made aware of the risks affecting the entity to ensure that these are mitigated to an acceptably low level for financial reporting and decision making purposes.
- Adequate processes may not be in place to identify and manage fraud risks

Recommendation

Risk assessments should be performed to alert management of risk areas affecting the municipality and management can timeously implement internal controls to prevent misstatements.

Management response

I am not entirely in agreement with the finding.

The business environment of the municipality did not change, any formal workshop could have not concluded anything contrary to the findings of the risk assessment workshop held in 2007/8. Management and Internal auditors agreed that risks emanating from issues raised in the external audit report should be prioritized for 2008/9 (viz Going concern, Reviews of performance management systems, Dora compliance and Revenue and collections). These issues were thereof deemed to be the extension of scope to 2007/8 risk assessment results. The 2008/9 internal audit plan covered these issues.

Internal audit has submitted its findings (Internal audit report) and the process plan to address those issues will be formulated by the CFO's office.

Name: J.N. Madondo

Position: CFO

Date: 02/09/09

Auditor's response

Management's comments noted, however this is non-compliance with the internal audit charter and MFMA as no risk assessments were undertaken in the 07/08 and 08/09 financial years so as to identify emerging risks affecting the municipality.

1.2 EX 6 - Audit committee not fully functioning

Audit Finding

In order to enhance governance, accountability and independent oversight, it is imperative for the audit committee to fulfill their roles efficiently and effectively throughout the year. These requirements are legislated in section 166 of the MFMA. Contrary to the MFMA, the audit committee did not adequately discharge their responsibilities on matters relating to:

1. The adequacy, reliability and accuracy of financial reporting and information (MFMA 2a(iv))
2. Performance management (MFMA 2a(ii))
3. Effective governance (MFMA 2a(iv))
4. Performance evaluation (MFMA 2a(viii))
5. A review the annual financial statements provided to council (MFMA 2b)
6. Matters raised in the prior year audit report (MFMA 2c)

None of the members of the audit committee has the requisite expertise or experience with performance management and would be unable to provide management with the requisite advice in relation to performance management.

Root Cause

The municipality's policies and practices are not implemented to facilitate effective compliance with legislation.

Risk

- The lack of effective governance and oversight mechanisms increases the risk of fraud, errors and misstatements. In addition, management may not be aware of deficiencies in internal controls that could impact on service delivery.
- Insufficient attention paid to performance information by the audit committee could be due to inadequate skills of members of the audit committee.

Recommendation

The audit committee must be constituted of members who are able to add value and strengthen the governance within the entity. Council should assess the effectiveness of the audit committee in discharging its mandate as required by the MFMA

Management response

- I am entirely in agreement with the finding :
- Point 1 – refer response for point 5
- Point 2 – Performance management information was not readily available in the year in question
- Point 3 – It is of the opinion that the internal audit inter alia by advising and considering the internal audit report (refer resolution 6.2 for minutes dated 04 Nov 2009 was addressing governance issues, approving internal audit plans, approval of risk policies etc.
- Point 4 –
- Point 5 – Financial statements were submitted to the audit committee after the audit was finalized to give credible view on financial position, (refer CFO's item attached to the committee) and in turn the chairperson of the audit committee presented financials to council and the committee's recommendations.
- Point 6 – The audit report was submitted with financial statement and the committee made necessary recommendations to council, refer audit committee submission presented.

Name: J.N. Madondo

Position: CFO

Date: 02/09/09

Auditor's response

This matter will be included in the audit report as the Audit Committee did not comply with the MFMA and the audit committee charter.

C. OTHER MATTERS

1. COMPLIANCE WITH LEGISLATION (NON-AFS)

1.1 EX 47 - Reports to treasury on awarded contracts not submitted

Audit Finding

In terms of sections 74(1) MFMA and MFMA Circular No. 34, "Municipalities are required to submit a separate report for each contract awarded (and signed) above R100 000, commencing from 1 July 2006, and submitted within 15 days of the end of each month."

Contrary to the abovementioned section, separate reports for each contract awarded above R100 000, were not submitted to Treasury within the legislated timeframes.

Root Cause

Procedures and practices are not in place, to that ensure management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Risk

Non-compliance with MFMA Circular No. 34.

Recommendation

Policies and procedures should be developed and established to ensure compliance with all DORA and MFMA reporting requirements.

A standard checklist should be developed for all reporting requirements which should be independently reviewed and monitored.

Management response

I am in agreement with the finding. The Supply Chain Manager has been instructed to ensure compliance with the requirements of the circular (refer copy of instruction memo attached communication 5 ex 47).

Name: J.N. Madondo

Position: CFO

Date:03/11/2009

Auditor's response

Matter noted for follow-up in the next audit

1.2 EX 58 - Reports to treasury on conditional grant spending not submitted on time

Audit Finding

In terms of Section 71 of the Municipal Finance Management Act (Act No. 56 of 2003), a municipality is required to submit both signed and electronic returns on their conditional grant

spending to national treasury. During the audit of grants, it was noted that reports to treasury were not submitted in a timely manner.

Root Cause

Management has not specified the financial reporting objectives with sufficient clarity and criteria to enable the identification of risks to reliable financial reporting.

Risk

- Section 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) as well as the DORA have not been complied with.
- Funds could be withheld if required legislative reporting is not done, thus impacting on service delivery.

Recommendation

A standard checklist should be developed for reporting which should be independently reviewed and monitored.

Management response

I am in agreement with the finding; necessary measures will be put in place to avoid the non occurrence of this in future.

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

This issue will be noted for follow up during the next financial audit

D. OTHER REPORTING RESPONSIBILITIES

1. PERFORMANCE INFORMATION

1.1 EX 16 - Annual Performance report not submitted

Audit Finding

Section 45 of the Municipal Systems Act (Act No. of 2001) states that; "the results of the performance measurements in terms of section 41(1) (c) must be audited:

- (a) as part of the municipality's internal auditing process; and
- (b) annually by the Auditor General"

Contrary to the above section, the performance information was not timeously submitted to be audited as required by section 45 (b) and section 46 of the Municipal Systems Act

Furthermore in terms of section 41(e) of Municipal Systems Act, the municipality must establish a process of regular reporting of performance to the council, political structures, other political office bearers, municipal staff, public and other organs of state. However, during the testing of performance it was noted that the municipality did not issue any monthly, quarterly or annual

performance report **on municipal performance** as means of creating these regular reporting to the afore-said persons

Root Cause

Management did not adequately implement procedures to ensure that performance information was completed and timeously submitted for audit purposes

Risk

The non-submission of performance information impacts on our ability to complete an evaluation of the quality of the reported information.

Recommendation

Policies and procedures should be implemented to ensure that performance information is complete, accurate and timeously submitted for audit purposes.

Management response

I am in agreement with the finding

The municipality is moving towards reaching PMS compliance by 2011. Systems are being put in place to deal with all PMS related matters.

PMS framework is in the process of being reviewed, which is aimed at ensuring compliance in future.

Name: Wynand Viljoen

Position: Acting Executive Director Planning, Social and Economic Services

Date: 10/09/09:

Auditor's response

The Auditor-General is mandated in terms of section 45(1)(c)(b) of the MSA to audit performance information annually. Management is encouraged to comply with MSA as from 2010 as the performance reporting is related to service delivery tracking.

1.2 EX 21 - Contents of the IDP

Audit Finding

The 2008/2009 integrated development plan did not include the municipality's key performance indicators and performance targets determined in terms of its performance management system, as required by section 26 of the MSA. Furthermore; the scorecards for the heads of departments included in the 2008/2009 IDP were for the 2007/2008 financial year.

The Water Services Development Plan was also not included in the IDP as per section 15(5) of the Water Services Act. 108 of 1997

Root Cause

Management did not adequately implement procedures to ensure that the IDP was complete, accurate and in compliance with the legislative provisions

Risk

Users may not be able to assess the extent to which the municipality had complied with its service delivery requirements if key targets and indicators are not included.

Recommendation

Management must develop and implement policies and procedures to ensure that the IDP is complete, accurate and complies with all relevant legislative provisions.

Management response

I am in agreement with the finding; this was as a result of the clerical error. All the 2008/2009 performance agreements and performance indicators and targets are available with Mr Zama Khuzwayo or myself which are in line with priorities for the year in question, in future greater care will taken.

Name: Wynand Viljoen

Position: Acting Executive Director Planning and social activities

Date:03/11/2009

Auditor's response

It is imperative that municipal performance objectives, indicators and targets are included in the IDP. To be followed up in during the 2009-10 audit.

1.3 EX 3 – Internal auditing of performance measurements

Audit Finding

In terms of section 14 (c) of the Municipal Planning and Performance Management Regulations, 2001; "A municipality's internal auditors must continuously audit the performance measurements of the municipality and submit quarterly reports on their audits to the municipal manager and the performance audit committee."

Contrary to the above section, internal audit had not submitted quarterly reports to the municipal manager and the performance audit committee.

Root Cause

Internal audit practices are not implemented to facilitate effective compliance with legislation.

Risk

- The failure to audit performance results constitutes non-compliance with section 14 of the Municipal Planning and Performance Management Regulations, and could impact on the quality of information used for decision making.

- The municipality does not have adequate mechanisms to assess whether it is achieving its service delivery initiatives if independent appraisals are not performed as legislated.

Recommendation

Management should ensure that the results of performance measurements are audited by the internal auditor; as required by section 14 of the Municipal Planning and Performance Management Regulation.

Management response

I am in agreement with the finding

The municipality is moving towards reaching PMS compliance by 2011. Systems are being put in place to deal with all PMS related matters.

PMS framework is in the process of being reviewed, which is aimed at ensuring compliance in future.

Name: Wynand Viljoen

Position: Acting Executive Director Planning, Social and Economic Services

Date: 10/09/09:

Auditor's response

This will be assessed again during the next financial period audit.

ANNEXURE B: OTHER IMPORTANT MATTERS

1. REVENUE

1.1 EX 28 - Trade effluent income not accurate

Audit Finding

The following companies that made use of private sewer tankers for the discharge of sewerage to the waste water works were incorrectly billed for these services:

No	Date	Tax invoice			Recalculation					
		Doc No	Consumer	Amt (R)	Quantity of sewer discharged (litres)	Approved tariff per litre of sewer discharged (R)	Total cost for the discharge of trade effluent (R)	Vat (R)	Total (vat incl) (R)	Difference (R)
1	15/10/2008	10088	J & I construction	35,612.46	62000	0.05	3,100.00	434	3,534.00	32,078.46
2	29/01/2009	10176	Honey tree trading	29,782.50	535700	0.05	26,785.00	3,749.90	30,534.90	-752.4
3	29/01/2009	10172	J & I construction	12,967.50	129950	0.05	6,497.50	909.65	7,407.15	5,560.35
Nett difference										<u>36,886.41</u>

Root Cause

Control activities were not actually applied to ensure that all transactions and events were completely and accurately recorded and accounted for

Risk

Overstatement of revenue from trade effluent income.

Recommendation

Management should implement controls to ensure that prior to the consumers accounts being debited, a delegated official perform a review and recalculation of the revenue based on supporting documentation.

Management response

J and I construction: Auditors made an error in calculating the waste water disposed, order/invoice c1 and c2 was counted twice since is included twice in the bundle of documents used to calculate the billable quantities.

Honey Tree trading: This Company has been approached to provide duplicate copies of the billed quantities since it looks as if there some detached from the original source documents. Once this has been furnished, comments thereto will be furnished.

Name: J.N. Madondo

Position: CFO

02/11/2009

Auditor's response

Supporting documentation submitted and audited did not resolve the issue.

1.2 EX 44 - Penalty interest overstated by outstanding balances on inactive accounts.

Audit Finding

Penalty interest is being levied on the outstanding balances of the following inactive/closed accounts:

No	Month	Account No	Status of account	Outstanding balance (R)	Penalty interest levied (R)
1	September-08	1023425	Inactive	176.39	2.43
2	September-08	1038605	Inactive	1,832.47	25.20
3	December-08	1014374	Inactive	471.80	6.29
4	December-08	1032450	Inactive	1,720.17	22.94
5	January-09	1056777	Inactive	261.03	3.48
Total					60.34

The effect of levying interest on the outstanding balances of accounts that are no longer active, the recovery of which is not likely, results in the overstatement of the penalty interest on arrear general ledger account. The projected overstatement of the general ledger account is estimated to amount to R 1, 12 million.

Root Cause

Policies and procedures related to reliable financial reporting are not established.

Risk

Overstatement of revenue thereby resulting in the misstatement of the financial statements.

Recommendation

- Interest revenue should only be recognised once the recognition criteria as contained in GRAP 9.34 are met.
- Management should review the debtor's age analysis, identifying inactive/closed accounts and write off these outstanding balances if recovery is remote.

Management response

I am in agreement with the finding, if an inactive account has a balance, the system automatically raises interest. During the data cleansing process which is to be commenced in 2009/2010 financial year, it is hoped that these accounts will be closed off with nil balances once their standing is verified, the raised interest may then be written off.

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

This remains incorrect for the current financial period, and will be assessed again during the next financial period audit. Debtors outstanding for more than 120 days have however been provided for.

1.3 EX 55 - Ezakheni area not being billed for consumption of water

Audit Finding

No meters are being read for the entire Ezakheni area and as a result all consumers in this area are not being billed for their consumption of water. The estimated loss in revenue from the Ezakheni area for the financial period under review is estimated to amount to R1, 8 million.

Root Cause

Actions are not taken to address the risks to the achievement of financial reporting and to ensure recovery of the costs of providing water services to Ezakheni

Risk

Loss of the revenue could adversely affect the financial sustainability of the entity.
Understatement of revenue by an estimated R1, 8 million

Recommendation

Management should formalise a plan of action to ensure that meters are installed and read for all consumers in the Ezakheni area.

Management response

I am in agreement with the finding; the fact of the matter is that eZakheni is the reticulation scheme which was transferred with some areas without water meters. It became impossible to practice credit control to areas with water meters and leave out the adjacent unmetered areas. The plan going forward as contained in turnaround strategy will be to explore the possibility of the intelligent metering system as contained in the turnaround strategy and source required funding. The matter is still with the infrastructure standing committee for decision.

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

Management's strategy for the recovery of revenue in the Ezakheni will be followed up in the 2009/2010 audit.

1.4 EX 71 - Distribution losses

Audit Finding

There is no evidence available for inspection to verify that distribution losses are monitored on a monthly basis.

Root Cause

Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.

Risk

Significant distribution losses would go undetected and timeous corrective action may not be instituted.

Recommendation

Distribution losses should be monitored on a monthly basis and areas with the largest distribution losses should be identified and investigated.

Management response

- I am in agreement with the findings; processes are being put in place to rectify the above.

Name: Glen Singh

Position: Deputy Water Services Manager

Date: 04/11/2009

Auditor's response

To be followed up during the 2009-10 audit.

2. OPERATING EXPENDITURE

2.1 EX 69 - Payments not made within 30 days

Audit Finding

In terms of section 65(2)(e) of the MFMA, 'all payments due to creditors should be settled within 30 days from receipt of an invoice unless stated otherwise in a contract.' The following payment vouchers were not paid within 30 days of invoice date.

No	Supplier Name	Doc No	Payment Date	Invoice Date	Amount
1	LASHES INVESTMENTS	63664	22/07/2009	20/05/2009	-520,056.03
2	WILLCOCKS, REED & KOTZE	63667	22/07/2009	15/05/2009	-152,814.78

3	NHLOSO RURAL DEVELOPMENT CONSULTANTS CC	63669	22/07/2009	19/03/2009	-1,662,350.41
4	VF MUNISI CIVILS (PTY)LTD	63670	22/07/2009	30/04/2009	-1,198,361.28
5	WILLCOCKS, REED & KOTZE CC	63672	22/07/2009	18/05/2009	-94,562.76
6	NHLOSO RURAL DEVELOPMENT CONSULTANTS CC	63676	22/07/2009	19/03/2009	-1,187,465.86

Root Cause

Control activities are not selected and developed to ensure that creditors are paid within 30 days from receipt of an invoice

Risk

Non-compliance with section 65(2)(e) of the MFMA which could result in interest levied on outstanding amounts due.

Recommendation

Management should make a record of the date invoices were received from creditors, and should ensure that payments are made within 30 days of receipt of such invoices.

Management response

I am in agreement with the finding, cash flow difficulties at times dictates that payments be made after 30 days, it is noted that payments shown above are mostly MIG payments, at times the department delays payment until such time that MIG does the transfer before realizing payments to creditors.

*Name: J.N. Madondo
Position: CFO
Date: 04/11/2009*

Auditor's response

This matter is linked to the ability of the municipality to continue as a going concern and all contributing factors should be addressed with the utmost urgency to respond to the current financial crisis experienced by the municipality.

3. TAXES

3.1 EX 48 - Input VAT incorrectly debited to expense vote

Audit Finding

VAT was incorrectly debited to the expense vote instead of the VAT input account for certain payments. The table below reflects votes that had been incorrectly debited with the VAT portion of the payment. It was further observed that for the payments number 61970 and 63204, VAT was

calculated using a percentage of 12, 04% instead of 14%. The projected misstatement amounts to R638,861.00

Vote Debited	Date	PMT No.	Details	Amount
MC941441021	2/23/2009	61970	NHLOSO RURAL DEVELOPMENT	(57,261.64)
MC941441005	6/5/2009	63204	NRB PIPING SYSTEMS (PTY)	(8,506.80)
MC941441005	6/5/2009	63204	NRB PIPING SYSTEMS (PTY)	(2,422.36)
MC941441005	6/5/2009	63204	NRB PIPING SYSTEMS (PTY)	(1,613.36)
MC941441005	6/5/2009	63204	NRB PIPING SYSTEMS (PTY)	(1,142.17)
MC941441005	6/5/2009	63204	NRB PIPING SYSTEMS (PTY)	(6,266.41)
MC801401005	4/24/2009	62766	JEFFARES & GREEN (PTY)LTD	(5,547.35)
MC801401005	4/24/2009	62766	JEFFARES & GREEN (PTY)LTD	(5,070.54)
Total				(87,830.63)

Root Cause

Manual checks were not performed to ensure that VAT calculated by the Munsoft system is accurately processed to the correct votes.

Risk

VAT input is understated.
Expenses are overstated.

Recommendation

Management should implement manual controls to ensure that VAT calculated by the Munsoft system is accurately processed.

Management response

I am in agreement with the finding, however the issue has since been rectified by journal 4282 and 4284, unspent grants list has been amended and financial statements adjusted accordingly. Exercise has been done to check all the settings of expense vote, the necessary system correction has been done for the vote affected above.

Name: J.N. Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

Management had correctly rectified those errors as identified in the audit query above. They are currently in the process of rectifying other votes that were not included in the exception. This

exercise would however only take place in the 09/10 financial year. The matter would be followed in the next financial year.

3.2 EX 65 - VAT claimed from non-registered vendors

Audit Finding

During the audit of purchases, a VAT vendor search was performed on all suppliers from whom a VAT input was claimed. Listed below are vendors that had invalid VAT registration numbers as per our VAT vendor search performed on the SARS website.

Item Name	Doc No.	Name of supplier	VAT number	VAT number status	VAT amount
WATER TANKERING	63520	THELA CIVIL AND PROJECTS	4950237596	Invalid	5,544.00
WATER TANKERING	63528	ANDIZE CONSTRUCTION	4250107333	Invalid	5,544.00
FREE BASIC SERVICES	62832	BKC BUSINESS CONSULTANTS	4430163075	Invalid	6,237.00
OUTSOURCING WATER CREDIT CONTROLLER	60751	AMAVANANDA TRADING CC	NONE	No records	3,727.70

The following suppliers had supplied invoices with VAT numbers; however the trading name on the invoices differed to the trading name for the quoted VAT numbers.

Type	Doc No.	VAT number on invoice	Amount	Supplier name: Invoice	Supplier name: SARS
WATER TANKERING	63528	4250107333	5,544.00	ANDIZE CONSTRUCTION	GNG PINE PRODUCTS BK

Root Cause

Actions are not taken to address risks of awarding contracts to suppliers that supply incorrect VAT registration numbers.

Risk

VAT input has been overstated.

Recommendation

Management should confirm the VAT registration status of all suppliers before awarding contracts. The VAT claimed on all invalid VAT numbers used should be reversed. Contracts should not be awarded to companies that incorrectly levy VAT.

Management response

I am partially in agreement with the finding, the above contractors are VAT registered as per attached documentation from SARS, however it has been noted that the quoted above vat ref. numbers may have been incorrectly furnished in the tax invoices. Please find attached in annexure marked communication 8 ex. 65 copies of the Vat confirmation documents.

Name: J.N. Madondo
 Position: CFO
 Date: 04/11/2009

Auditor's response

It is the responsibility of the municipality to ensure that valid tax invoices are received from suppliers. Material amounts of input claims would be lost as a result of invalid vat numbers.

4. EMPLOYEE COST

4.1 EX 35 - Overtime non-Compliance with Basic Conditions of Employment Act

Audit Finding

In terms of Chapter 2, note 10 of the Basic Conditions of Employment, (Act no 75 of 1997), "An employer may not require or permit an employee to work more than three hours overtime a day, or ten hours overtime a week".

Contrary to the above, the following employees worked in excess of 3 hours overtime per day and ten hours a week:

Name	Employee No.	Date	Hours Worked		
Mchunu LL	50016	2008-09-03	4		
		2008-09-04	4		
		2008-09-05	4		
		2008-09-06	4		
		2008-09-07	4		
		2008-09-08	2		
		2008-09-09	4		
		2008-09-10	4		
		2008-09-11	4		
		2008-09-12	4		
		2008-09-13	4		
		2008-09-14	4		
		2008-09-15	4		
		2008-09-16	4		
		2008-09-17	3		
		2008-09-18	4		
		2008-09-19	4		
		2008-09-20	4		
		2008-09-21	4		
		2008-09-22	4		
		Khumalo JD	50575	2009/01/03	4
				2009/01/04	4
2009/01/10	4				
2009/01/11	4				
2009/01/17	4				
2009/01/18	4				
2009/01/24	4				

		2009/01/25	4
		2009/01/31	4
Mncbe K	50734	2008/12/08	9
		2008/12/25	8
		2008/12/28	9
Mbhele N.M	50638	2008/11/01	4
		2008/11/02	12
		2008/11/07	4
		2008/11/08	4
		2008/11/09	12
		2008/11/13	4
		2008/11/14	4
		2008/11/15	4
		2008/11/16	12
		2008/11/20	4
		2008/11/21	4
		2008/11/22	4
		2008/11/30	6
Khoza D.G	51129	2008/10/30	12
		2008/11/02	12
		2008/11/05	12
		2008/11/08	12
		2008/11/11	12
		2008/11/16	12
		2008/11/23	6
Block AAM	50546	2008/07/07	4
		2008/07/08	4.5
		2008/07/09	4.5
		2008/07/10	5
		2008/07/11	4.5
		2008/07/12	13
		2008/07/13	10.5
		2008/07/14	6
		2008/07/15	7
		2008/07/16	6.5
		2008/07/17	6.5
		2008/07/18	8.5
		2008/07/19	10.5
		2008/07/20	15
		2008/07/21	1.5
		2008/09/01	1.5
		2008/09/02	3
		2008/09/03	3
		2008/09/04	7
		2008/09/05	3
		2008/09/06	12
		2008/09/07	5
		2008/09/08	2
Sibisi M	51537	2008/07/06	8
		2008/07/13	8
		2008/07/16	8
		2008/07/20	8
		2008/07/21	4
		2008/07/22	8

		2008/07/23	8
		2008/07/24	4
		2008/07/25	4
		2008/07/27	8
Nzuza T	300111	2008/06/21	8
		2008/06/22	2.5
		2008/06/28	6
		2008/06/29	6
		2008/07/02	2
		2008/07/03	2.5
		2008/07/05	6
		2008/07/06	7
		2008/07/10	2
		2008/07/12	6
		2008/07/13	6
Ngidi M.E	300121	2008/11/22	6
		2008/11/23	5
		2008/12/12	5
		2008/01/09	14
		2008/02/09	10
		2008/03/24	12
		2008/04/23	13
		2008/05/09	6
2008/05/21	5.5		
Malope MW	50719	2008/09/01	8
		2008/09/02	8
		2008/09/03	8
		2008/09/04	8
		2008/09/05	8
		2008/09/06	8
		2008/09/07	8
		2008/09/10	8
		2008/09/11	8
		2008/09/16	8
		2008/09/21	8
		2008/09/24	8
		2008/09/28	8
2008/09/20	8		

During the performance of procedures relating to employee cost, we also noted that the following employee monthly compensation for overtime worked was in excess of 30% of their monthly salary:

No	Name	Employee No	Month	Monthly Salary	Overtime paid	% of monthly overtime as compared to monthly salary
1	MCHUNU LL	50016	Oct-08	8741	6094.85	69.7
2	KHUMALO JD	50575	Feb-09	7,483.29	2772.69	37.1
3	MNCUBE K	50734	Feb-09	4,622.34	1436.42	31.1
4	MBHELE NM	50638	Nov-08	4,303.15	3651.68	84.9
5	KHOZA DG	51129	Dec-08	4,184.28	3225.73	77.1
6	BLOCK AAM	50546	Sep-08	9,169.50	2972.78	32.4

7	SIBISI M	51537	Aug-08	4,301.00	1799.32	41.8
8	NZUZA TG	300111	Jul-08	10,880.00	5701.3	52.4

Root Cause

Policies and procedures as well as monitoring checks were not adequately implemented to ensure that overtime payments were in compliance with the applicable legislative frameworks.

Risk

- The municipality could be understaffed, resulting in the existing workforce being overworked.
- Overtime could be abused, resulting in fictitious claims being lodged, which could cause financial loss.
- Employee's deliberately not working efficiently during normal working hours to complete tasks, thereby requiring overtime hours to complete tasks, resulting in financial loss to the municipality

Recommendation

Overtime payments should be strictly monitored to ensure that payments made do not exceed 30% of the employee's basic salary. Management should prepare monthly departmental overtime records and approve overtime only in compliance with the Basic conditions of Employment Act.

Management response

I am in agreement with the recommendations, however section 6 (2) is applicable to our case. (refer attached extract from the Basic conditions of Employment marked communication 5 ex 36.) It is at times difficult to plan or expect an emergency which requires that employees be required to work additional time due to the nature of work performed by council.

The spirit of the act is aimed at preventing scrupulous employers from overworking employees unreasonable, in order to ensure that there is agreement in performing overtime, the overtime claim form requires of employees to also affirm that the overtime worked is as a result of mutual agreement.

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

Management should monitor controls relating to overtime to ensure timeous risk identification and compliance with the Basic Conditions of Employment Act.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 EX 23 - Fixed asset register discrepancies

Audit Finding

1) Upon perusal of the fixed asset register, it was noted that certain fields, (location of asset, building description, department description, funding source, disposal date, condition of asset etc), had not been completed for some assets recorded on the fixed asset register. All fields should be completed in compliance with section 5.1.1 of the local government capital asset management guidelines issued by National Treasury.

2) Council ownership of the following assets, which are classified as land on the fixed asset register, could not be verified due to a lack of supporting documentation (title deeds):

Asset No.	Description	Cost
A1383	Land	28,112.00
A1425	Enam Ext Trans Ex Asset 100005 00/01	52,587.45
A1431	Purchase of Land	60,000.00
A1445	Land	776.88
A1490	Purchase of Land	4,819.84
A1446	Land	5,000.00
A1447	Land	27,866.02
A1448	Land	858,709.64
		1,037,871.83

Root Cause

Ongoing monitoring and reviews are not undertaken on the assets recorded on the fixed asset register.

Risk

- The fixed asset register may not be complete due to missing fields.
- The physical identification of assets recorded in the fixed asset register is made difficult due to incomplete descriptions being used.
- The fixed asset register may not be consistent with the asset management guidelines issued by the National Treasury.

Recommendation

- Management should adhere to the asset management guidelines particularly with regards to the compilation of a GRAP compliant fixed asset register.
- Management should review the classification and description of assets in the fixed asset register against supporting documentation in order to verify the completeness and accuracy and classification of the recorded assets.

Management response

I am not in agreement with the transfer of land.

The substance of the matter is that the land is under the control and use of the district and the inclusion of these in the fixed asset register is in line with the recognition criteria of an asset and the definition thereof. The municipality will rectify the situation during the next financial year and will approach the Deeds Office to have ownership registered in its own name.

Name: J.N. Madondo

Position: Chief Financial Officer

Date: 22 October 2009

Auditor's response

Management's comments noted. Ownership of the land is evidenced by title deeds for these properties in the name of the municipality. Upon performance of a deeds search, no properties in the name of the municipality were identified.

All fields in the fixed asset register must be sufficiently completed in compliance with the asset management guidelines and to enable physical identification and verification of assets.

5.2 EX 25 - Assets disposed not reflected on the fixed asset register

Audit Finding

The following assets that were disposed in an open public auction on 04 October 2008 have never been recorded on the fixed asset register. As a result there is no audit trail of these assets.

No.	Lot No.	Reg. No.	Description	Buyer No.	Proceeds (Rand)
1	12	NKR 23322	VW Citi Golf	376	6,250.00
2	16	NKR 23155	Isuzu LDV	370	9,250.00
3	17	NKR 26699	Audi A4 1.8T	380	40,000.00
4	25	NKR 5968	Nissan LDV	369	5,250.00
5	26	NKR 25346	Ford Escort 1.6	385	1,000.00
6	27	NKR 10863	Toyota Stallion	371	2,000.00
7	28	NKR 8430	SangYong Musso	369	3,750.00
8	32	NKR 28556	Ford Courier LDV	376	14,000.00
9	38	NKR 27218	Mitsubishi Husky	381	15,500.00
			Total		97,000.00

Root Cause

Control activities are not selected and developed to mitigate risks over financial reporting

Risk

- Depreciation and amortisation charges for the current financial year as well as for the prior financial year are understated.
- Incompleteness of the fixed asset registers due to other missing assets.

- Theft or misappropriation of these assets would not be detected due to lack of audit trail

Recommendation

Cyclical counts of assets should be conducted between different types of assets and compared to asset descriptions as recorded in the fixed asset register.

The fixed asset register should be updated to include the missing assets.

Management response

- I am not in agreement with the finding regarding NKR 23322, NKR 23155, NKR 5968, NKR 25346, NKR 10863, NKR 8430 and NKR 27218 (NN 55402) as these assets were written off in 2005 (Refer Council Resolution No 5.3 dated 12 April 2005). These assets were however only sold on public auction during 2008/2009 and the proceeds from the sale were recognized in the 2008/2009 financial year (Refer Council Resolution No. 11.2 dated 3 September 2009).
- With regards to NKR 26699 (Audi A4 1.8T) this vehicle was a non-runner and was parked at the Audi dealership pending Council resolution for write off. This asset was however only sold on public auction during 2008/2009 and the proceeds from the sale were recognized in the 2008/2009 financial year (Refer Council Resolution No. 11.2 dated 3 September 2009).
- With regards to NKR 28556 (Ford Courier LDV) the vehicle was a non-runners and beyond economical repair and was parked at the Pieters depot where the disposal sale was conducted. This asset was sold on public auction during 2008/2009 and the proceeds from the sale were recognized in the 2008/2009 financial year (Refer list of items for auction sale dated 2 October 2009 and Spokes Auctioneering list of vehicles disposed off. The vehicle was however mistakenly excluded on the list that was submitted to Council on 3 September 2009. An item will be submitted to Council for ratification.
- Your comments have been noted. The municipality has implemented asset counts at the end of each year and will look at conducting periodic counts as well to ensure that all assets are accounted for. With regards to the understatement of depreciation, the overall effect on the financial statements will be the same if not immaterial.

Name: J.N. Madondo

Position: Chief Financial Officer

Date: 22 October 2009

Auditor's response

Management's response noted

In terms of GRAP 17, an item of property, plant and equipment shall be derecognised on disposal **or** when no future economic benefits or service potential are expected from its use or **disposal**.

The assets listed above were only disposed off in the 2008/2009 financial year and should have remained on the fixed asset register at their impaired or written off value until disposal date. Although this will have minimal affect on the value of property, plant and equipment at year end, these assets could have been misappropriated and the Uthukela District Municipality would have had no record of these assets as they had been removed from the fixed asset register.

5.5 EX 38 - Fixed Assets not tagged

Audit Finding

During the physical verification of assets it was noted that all assets had not been tagged. Asset additions for the year 08/09 were not tagged in addition to a sample of other assets selected from the asset register. The assets listed below serve as an example:

Asset No	Description	Class	Location
A1731	Acer Projector P1165	FURNITURE AND FITTINGS OTHER	TECHNICAL BUILDING; 36 LYELL ST
A1725	COMPUTER SYSTEM FOR Socio Economic Needs	COMPUTER HARDWARE	PLANNING - TECHNICAL BUILDING; 36 LYELL ST
A1559	6 X HCP SUMP Sewer PUMPS with Floats 380V	SEWERAGE PUMPS	STORES - LADYSMITH W.W.T.P
A1736	MAKITA HAMMER DRILL 20mm HP 2020	PLANT AND EQUIPMENT GENERAL	STORES - EZAKHENI (PIETERS) MUNICIPAL YARD
A1737	19 Pc Wrench set TOOLKIT FOR RAMSUBAK	PLANT AND EQUIPMENT GENERAL	STORES - EZAKHENI (PIETERS) MUNICIPAL YARD
A1739	MAKITA ANGLE GRINDER 9059 - 230mm	PLANT AND EQUIPMENT GENERAL	STORES - EZAKHENI (PIETERS) MUNICIPAL YARD
A1758	MONO PUMP BP6H FOR ROOSBOOM WATER	WATER PUMP	BOREHOLE ROOSBOOM
A1738	2 x 90mm PIPE CHAIN VICE SET	PLANT AND EQUIPMENT GENERAL	STORES - ESTCOURT
A1753	SUBMERSIBLE PUMP FOR BOREHOLE TESTING	WATER PUMP	STORES - EZAKHENI (PIETERS)MUNICIPAL YARD

Root Cause

Control activities are not selected and developed to mitigate risks over financial reporting.

Risk

The physical verification of assets is made difficult as the only way to locate the asset is by inspecting all assets in that particular location/building.

Recommendation

All assets, where possible, should be tagged. It is acknowledged that all assets cannot possibly be tagged due to size or location i.e. underground and underwater assets etc. However, there are a number of assets that are in fact possible to tag and these should be tagged to enable physical verification. Service providers should be informed that where assets are taken in for service/repairs, the asset tags should be not be painted or removed.

Management response

I am partially in agreement with the finding for the following reasons.

Some of the items listed above could not be tagged due to their nature. With regards to the pumps and infrastructure items, a catalogue detailing each item has been prepared for each location so that they could be easily identified (Catalogue available for inspection with Mr Koortzen).

The tool items were not tagged as the tag would be displaced during the everyday usage of such items.

The non-tagging of the projector and computer were errors and we have instructed the firm responsible for tagging to ensure that these items are tagged during the current year (Refer annexure marked communication 6. ex.38.)

Name: J N Madondo
 Position: CFO
 Date: 03/11/2009

Auditor’s response

Non-submersible pumps should be tagged. The use of a catalogue would be inadequate as the purpose of the catalogue is to aid in identifying what a specific asset looks like, but not to distinguish one specific pump from another. Other asset additions must be tagged where possible

5.6 EX 43 – Physical verification of assets

Audit Finding

The following assets selected from the fixed assets register, could not be physically verified. The fixed asset register is projected to include R783,094 (Other assets) and R1,046,670.00 Infrastructure assets that do not physically exist.

Asset no.	Description	Class description	Building description	Cost
A0106	Pump	Water Pump	Ladysmith Water Purification Plant	22,375.61
A0603	P. CNT, Normaflor, NF 80-200204	Water Pump	Ladysmith Water Purification Plant	39,484.06
NKR 28567	Trailer Low Bed	Motor Vehicles	Main Building, 76 Murchison St	10,000.00
04387 (NN 55833)	Radio Home Base	Radio Equipment	Main Building, 76 Murchison St	2,000.00
00419	Computer Monitor	Computer Hardware	Technical Building, 36 Lyell St	2,700.00
				76,559.67

Root Cause

Incorrect details included on the fixed assets register with regards to the location and description of assets.

Risk

Assets may be stolen or subject to misappropriation.
 Possible overstatement of property, plant and equipment in the financial statements.

Recommendation

- Management should ensure that the compilation of the asset register is consistent with the physical location and description of the asset.
- Assets listed above should be located and the asset register should be amended to include the correct asset locations and descriptions.

Management response

- I am not in agreement with the finding, as discussed with auditors, a tour will be arranged to identify the above mentioned assets.

Name: J. N. Madondo

Position:

Date:

Auditor's response

The assets listed above could not be physically verified. Management should implement controls over the movement of assets and departmental heads should be accountable for assets in their section.

6. RECEIVABLES

6.1 EX 49 - No policy in place for long outstanding debtors

Audit Finding

In terms of section 97 of the Local Government: Municipal systems act, no 32 of 2000, "A credit control and debt collection policy must provide for -

- a). credit control procedures and mechanisms, and
- b). debt collection procedures and mechanisms"

With regard to the above, the municipality's credit control policy does not address the treatment of long outstanding debts.

Root Cause

A proper control framework had not been developed by management in ensuring that long outstanding accounts are specifically addressed in the credit control and debt control policy.

Risk

The absence of documented policies and procedures could affect the operations of the department, especially when key staff members with the specialised knowledge are no longer in the service of the municipality.

Recommendation

Management should ensure that policies around the treatment of long outstanding debts are documented and approved by council to ensure that the municipality effectively deals with long outstanding debts.

Management response

I am not in agreement with the finding, financial regulations provide framework within which doubtful debts need to be treated. (refer copy in annexure marked communication 6 ex. 49)

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

Managements comment noted, however the regulations do not specifically include procedures with regard to identifying debtors balances to be provided for as doubtful debts, debtors to be handed over to the attorneys for legal action to be instituted, debtors whose water supply should be physically cut-off and identifying debtors balances which should be written off as bad debts.

7. INVENTORY

7.1 EX 39 - Inventory reconciliations are not performed.

Audit Finding

During the audit of inventory, we noted that the municipality does not perform reconciliations between physical and recorded inventory (periodic and annually). Consequently; the variances between the physical stock and the recorded stock are not identified timeously.

Root Cause

Control activities were not developed or performed to ensure that physical stock was reconciled to recorded stock.

Risk

Misappropriations of stock may not be detected.
Anomalies may not be timeously detected, thus increasing the risk of errors and omissions.

Recommendation

Annual reconciliation should be performed between physical stocks as per the stock count to stock totals as per the ledger.

All reconciliations should be check and initialed by an independent person.

Management response

I partially agree with the finding, physical verification did not take place periodically but only annually. The Supply chain Manager has been instructed to do periodic stock taking (quarterly).

Name: J.N. Madondo

Position: CFO

Date: 03/11/2009

Auditor's response

Annual and periodic reconciliations of stock on hand to the system should be undertaken to ensure that misappropriations of stock items are timously detected.

7.2 EX 40 - Inaccurate valuation of stock

Audit Finding

During the audit of inventory we noted that the weighted average cost per unit used to value stock at year end was incorrectly calculated. Inventories are overstated by a projected amount of R98,673.57.

Part no	Description	Re-calculated average cost	Av cost	Difference	Qty	Value
W00936	Bleach 5L	20.23	21.14	0.91	87	79.17
W00340	Ricoffy	42.06	64.30	22.24	9	200.16
W00336	Rooibos Tea	10.99	16.29	5.30	41	217.30
Total			101.73	28.45	137	496.63

Root Cause

Control activities were not developed or performed to ensure that physical stock was reconciled to recorded stock

Risk

Overstatement of inventory in the financial statements.

Recommendation

Annual reconciliation should be performed between physical stocks as per the stock count to stock totals as per the ledger. The quantity on hand as per the inventory listing should be followed up and corrected.

Management response

For the other inventory, systems will be put in place to ensure more accurate assessment of values for store in terms of the accounting policy adopted, and the financial in use is capable of computing these estimates automatically.

Name: J.N. Madondo:

Position:CFO

Date:03/11/2009

Auditor's response

This issue will be followed up in the 2009/2010 financial audit.

8. PAYABLES/ACCRUALS

8.1 EX 66 - Accruals listing incomplete

Audit Finding

During the audit of accruals, the following items of goods/services were identified as being received prior to 30 June 2009, but have not been included in the accruals listing at year end resulting in an understatement of accruals by R27,167.58.

No	Supplier Name	Doc No	Payment Date	Invoice Date	Amount
1	SKY MEDIA MARKETING	63686	23/07/2009	30/06/2009	-22,743.00
2	CHUBB SECURITY	63696	24/07/2009	01/07/2009	-1,244.58
3	ZULU N.M.	63703	24/07/2009	03/03/2009	-3,180.00
					R 27,167.58

Root Cause

Pertinent information is not identified and captured in a form to support financial reporting. Management does not exercise sufficient oversight responsibility over financial reporting.

Risk

Accruals and expenses are understated by R27 167.58

Recommendation

The process of identifying and recording accruals must be appropriately planned and implemented by individuals utilising pertinent information. The accounting officer must exercise sufficient oversight responsibility over financial reporting to ensure that all amounts disclosed in the financial statements are valid, accurate and complete.

The process of identifying and disclosing accruals should be undertaken again in a manner so as to reflect an accruals total in the financial statements that is free of misstatement.

Management response

Journal 4303 has been processed in the current year to debit appropriation with expenditure in relation to the old year since these transactions took place in the current financial year after the cut-off in respect of accruals for 2008/2009.

Name: J.N. Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

The accrued amounts listed above had not been included in the journals adjustments processed by management for the current financial year and therefore accruals are understated.

8.2 EX 30 - Reconciliation of deposit register

Audit Finding

In terms of section 98 (b) of MFMA, the accounting officer of a municipality must take all reasonable steps to ensure that all accounts of the entity are reconciled each month. However, it has been established that no reconciliation was performed between customer deposits register and deposit control account during the year.

Root Cause

Reconciliations were not performed in terms of policies, procedures and guidelines to ensure that adequate audit trails were maintained in accordance with management requirements.

Risk

- Transactions and events may not be processed and reconciled in accordance with management’s directives and decisions, thus leading to inefficiencies in the manner in which the entire operations are run.
- Differences in the deposit register may result in misstatement of the deposit control account in the general ledger.

Recommendation

Reconciliations between the deposit register and the general ledger should be prepared and reviewed on a monthly basis.

Management response

I am in agreement with the finding and the necessary controls will be put in place to ensure that reconciliations between the deposit register and general ledger are performed monthly.

*Name: J.N. Madondo
 Position: Chief Financial Officer
 Date: 22 October 2009*

Auditor’s response

This issue will be followed up in the 2009/2010 financial audit

8.3 EX 34 – Approved tariffs not used for Consumer deposits

Audit Finding

The following discrepancies were noted whereby defaulting consumer’s deposits were not increased by 2.5 times their average monthly account, contrary to the tariffs approved by council for the 2008/2009 financial year.

Consumer	Account Number	Date	Original Deposit	Amount Owing	Increased deposit x 2.5 of avg account
Gama BS	100032	06 Aug 2008	Nil	948.36	632.70
Brits DW	1027340	05 Sep 2008	R200.00	1,427.53	737.44
Van Heerden MC	1067245	08 Sep 2008	Nil	6,337.42	537.94
Jhekarran J	1063845	15 Oct 2008	R 60.00	6,637.71	738.86
Sithole BE	1019524	.04 Dec 2008	R 200.00	8,651.72	199.50
Bhika GJ	1059971	14 Jan 09	R 861.00	34,310.00	984.54
Rampeharie AR	1064233	13 Feb 2009	R 660.00	2,473.95	863.80

Shabalala TA	1000112	08 Apr 2009	R660.00	123.51	717.49
NeerANJI S	1044442	17 Apr 2009	R280.00	11,617.73	233.70
Hammersley BP	1060089	25 May 2009	R660.00	2,640.67	117.70
				75,168.60	5,763.66

Root Cause

Policies related to reliable financial reporting are not communicated throughout the entity, and do not have corresponding procedures that results in management directives being carried out.

Risk

Actions are not taken to address risks to the achievement of financial reporting objectives

Recommendation

Control activities comprising independent reconciliations and reviews should be developed, documented, approved and implemented to ensure that objectives in financial reporting are achieved

Management response

I am in agreement with the finding, in order to ease the calculation for increased deposits, and minimize risk of this error council has in 2009/2010 resolved to curb deposits at R1500 on residential consumers and R5000 for industrial. The adjustment on defaulting consumers has been fixed to R100 increase per default. (Refer annexure marked communication 8 ex34)

Name: J.N.Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

To be followed up during the 2009-10 audit

8.4 EX 63 - Leave provision not correct

Audit Finding

Differences were noted upon comparison of the leave balances as per the leave register and the recalculated days per our audit testing. Consequently the projected misstatement for the leave provision is estimated to amount to R58, 908.12.

Name (Employee No)	Leave days as per leave provision			Recalculated leave balances			Difference over(Under)
	No compulsory leave days	Bal Accumula ted	Tot Value	No of compulsory leave days	No of accumulative leave days	Tot Value	
Khoza MG (50749)	23.99	42.99	22854.36	23.99	41.99	22,466.01	388.35
Molaudzi MA (50733)	23.99	21.99	11100.65	21.99	21.99	10,654.59	446.06
Thabethe Z (51925)	5.33	5.71	2309.13	5.33	3.71	1,854.31	454.82
Njoko SE (50617)	23.99	6.65	9739.93	23.99	4.66	8899.47	840.46
TOTAL							<u>2129.72</u>

Root Cause

Lack of management review and monitoring of the leave register.

Risk

Misstatement of the leave pay provision due to inaccurate leave balances.

Recommendation

Management should revisit all employees annual leave balances that were used in the computation of the leave provision and amend the leave provision accordingly.

Management response

HR is investigating the matter.

*Name: Slindile Gcabashe
Position: Assistant Director Human Resources
Date: 04/11/2009*

9. MATTERS OF GOV/INT AUD/COMMITTEE

9.1 EX 14 - Effectiveness of internal audit not assessed by the audit committee

Audit Finding

Section 4.3 of the municipality's audit committee charter bears reference, " The audit committee shall monitor and supervise the effective function of internal audit to ensure an objective overview of the operational effectiveness of the Councils system of internal control, reporting, risk management and will in particular:

- Review, approve and ensure compliance by internal audit with its mandate,
- Review the adequacy of corrective action taken in response to significant internal audit findings, and
- Evaluate and support the independence of internal auditors."

Contrary to the above section, there was no evidence that the audit committee had performed its functions with regard to internal audit.

Root Cause

Management has not specified the financial reporting objectives with sufficient clarity and criteria to enable the identification of risks to reliable financial reporting

Risk

The lack of adequate governance structures creates an environment which is susceptible to fraudulent reporting and misstatement.

Recommendation

Audit committee should assess the effectiveness of the internal audit in discharging its mandate as required by the MFMA and as prescribed in the audit committee charter.

Management response

I am not entirely in agreement with the finding

The statement can not be entirely true, if one goes through the internal audit minutes, it can be noted that there is a meeting held with internal auditors with audit committee where among other things the issue of performance of the internal audit and issues around the delayed submission of audit responses was discussed.

Name: J.N Madondo

Position: CFO

Date: 09/09/09

Auditor's response

There was no evidence that the audit committee had performed its functions with regard to internal audit. No documented internal audit minutes were provided and none could be obtained from internal audit. To be followed up in during the 2009-10 audit.

10. COMPLIANCE WITH LEGISLATION (NON-AFS)

10.1 EX 56 - Other compliance- MFMA – Websites

Audit Finding

The municipality did not update its website with the following information as required by section 75 of the MFMA.

- The annual and adjustments budgets and all budget-related documents;
- All budget-related policies;
- The annual report 07/08;
- All performance agreements required in terms of section 57 (1) (b) of the MSA;
- All service delivery agreements;
- All supply chain management contracts above a prescribed value;
- An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during the previous quarter;
- Contracts to which subsection (1) of section 33 (contracts having future budgetary implications) apply, subject to subsection (3) of that section;

- All quarterly reports tabled in council in terms of section 52 (d); and
- Any other documents that must be placed on the website in terms of this act or any other applicable legislation, or as may be prescribed

Root Cause

Pertinent information is not identified, captured, used at all levels of the company and distributed in a form and time frame that supports the achievement of financial reporting objectives

Risk

Pertinent information is not made available to stakeholders.
Applicable laws and regulations are not complied with.

Recommendation

Pertinent information should be updated onto the municipality's website on a regular basis to ensure compliance with section 75 of the MFMA

Management response

I am in agreement with the finding; a meeting will be arranged with the company hosting our website where the issue will be addressed.

Name: Wynand Viljoen

Position: Acting Executive Director Strategic Planning and Economic Development

Date:03/11/2009

Auditor's response

Pertinent information should be uploaded onto the municipality's website on a regular basis to ensure compliance with section 75 of the MFMA.

10.2 EX 26 - Rollover of unspent conditional grants not approved

Audit Finding

Contrary to section 28 of the Division of revenue act, 2008; the municipality did not obtain prior approval for the roll-over of the unspent portion of the conditional grants amounting to R32, 3 million.

Root Cause

Control activities are not selected and developed to mitigate risks over financial reporting.

Risk

Non compliance with the regulations of the Division of Revenue Act may result in further grant funding being withheld by National treasury.

Recommendation

- Control activities should be selected and developed to ensure that management comply with DORA.
- Management should obtain the necessary approvals from the National Treasury for the roll over of unspent conditional grants.

Management response

Recommendations noted.

Name: J.N Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

This issue will be noted for follow up during the next financial audit

11. FRUITLESS & WASTEFUL EXPENDITURE

11.1 EX 67 - Interest/penalties on overdue accounts not classified as fruitless and wasteful

Audit Finding

In terms of the MFMA, "fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised."

Whilst auditing **electricity payments**, we noted that penalties incurred on late payment were not included in the fruitless and wasteful expenditure disclosure note. The projected costs not included in the fruitless and wasteful expenditure disclosure note is estimated to amount to 67,950.04.

No	DATE	CHQ No	SUPPLIER NAME	AMT	VOTE
1	3/20/2009	62433	EMNAMBITHI/LADYSMITH	147.72	700/260140
2	3/20/2009	62383	ESKOM	2.31	700/260140
3	3/20/2009	62402	ESKOM	17.91	700/260140
4	3/20/2009	62419	ESKOM	4.62	700/260140
5	4/15/2009	62702	ESKOM	41.15	700/260140
6	4/17/2009	62732	UMTSHEZI MUNICIPALITY	470.09	700/260140

Root Cause

Pertinent information is not identified and captured completely to support financial reporting

Risk

Fruitless and wasteful expenditure disclosure note is incomplete

Recommendation

Management should include all interest/penalties incurred on overdue accounts in the fruitless and wasteful disclosure note. The fruitless and wasteful expenditure disclosure note should be based on complete and accurate information.

Management response

I am in agreement with the finding, practical challenges around the payment of these accounts lead to the delay in their payments, these include but not limited to, the delay in the receiving of accounts from post, (Council once resorted in debit orders but Eskom failed to submit tax invoices for verification and input tax purposes), delay in verification process and consequently delays in payment. The disclosure note on the AFS will be corrected accordingly.

Name: J.N. Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

Fruitless and Wasteful expenditure has not been adequately and completely disclosed in the annual financial statements.

12. OTHER

12.1 EX 1 - Vacancies in the finance component

Audit Finding

A review of the organisational structure had revealed that the following key posts in the finance component have been vacant since 2006:

- Deputy CFO post
- Financial Controller post
- Director Operations post
- Systems administrator
- Project admin clerk
- Salaries clerk

The vacancies in the finance component have affected service delivery in the following manner:

- The accountant for expenditure performed functions in the salaries section in addition to normal responsibilities as laid down in his job description, and thereafter performed a detailed review of the payroll during the 08/09 year.
- The bank reconciliation statements for the months of January 2009 to June 2009 was only finalised in July 2009.
- The acting director of finance performs monthly in year monitoring reports to treasury, but these reports are not independently checked before being submitted. Such reports were not submitted on a timely manner during the 08/09 period.

Root Cause

Ongoing monitoring and supervision are not undertaken to enable an assessment of the impact of vacant positions in the finance component.

Risk

Productivity would be undermined, and segregation of duties would be compromised if vacancies in the finance section are not addressed.

Recommendation

Management should ensure that the finance component is adequately staffed and that key vacancies are filled timeously.

Management response

The above posts can be divided into two viz, posts in the organogram not budgeted for and post in the organogram budgeted for. Deputy CFO, Systems administrator and Project admin clerk posts were not budgeted for, therefore could not have been filled. The financial controllers' responsibilities were assigned to the budgetary and administration clerk i.e. Ms N.B. Dlamini, this was done since functions and responsibilities for the vacant posts could be amalgamated into one person as a measure of cost savings to the budget, this decision will be reversed in 2009/2010 since budgetary reforms call for a permanent person to fully work on budget. The assistant director (Mr P.J. Koorzten) acted as the director operations which fulfilled the requirements of the vacant post and the salaries clerk position is in the process of being filled since the requisite recruitment process is in place. (refer annexure marked communication1 ex.1)

Name: J.N. Madondo

Position: Chief Financial Officer

Date: 3 November 2009

Auditor's response

Management comments are noted however the key vacancies not budgeted for should be budgeted for or reviewed to ensure that service delivery is not affected. Management is encouraged to urgently address the vacancy issues to ensure that the segregation of duties is achieved.

12.2 EX 76 - Tender documents not submitted for audit purposes

Audit Finding

Section 15(1)(a) of the Public Audit Act No 25 of 2004 states that, "the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to any document, book or written or electronic record or information of the audittee or which reflects or may elucidate the business, financial results, financial position or performance of the audittee."

The following tender documents were not submitted for audit purposes (**Request No 5 Dated 21/10/2009**).

Vote	Tender	Information Required
MC801401000	AB Projects CC (Dwaf water conservation)	<ul style="list-style-type: none">• Signed report/minutes of the bid evaluation committee• Signed report/minutes from the bid adjudication committee• Signed contract• Bid documents of the successful bidder. (To include a SARS clearance certificate, preference points calculations, declarations
MC802402013	Beak Security & Cleaning (Uthukela Civil Defence/Sec Con)	

		that the directors were not in service of the state.)
MC 801401000/ MC 802402013/ MC 700260775/ 700260125 AND 700/260/350	Water Tankering, Free basic services, Plant & equipment hire from. Thendeni / Mgoza/ Africa energy/Msizi/lashes investments/ Ambambe transport and Khuyazabwa contractors	<ul style="list-style-type: none"> • Bid documents of the successful bidder and SARS clearance certificates.

Root Cause

Control activities are not selected and developed to mitigate risks over financial reporting.

Risk

Expenses may be classified as irregular if the tender process was not followed.

Recommendation

Management should ensure that all requested information is provided for audit.

Management response

Supply Chain Manager has confirmed that documents requested above were furnished timeously to auditors (refer attached list from auditors). It is noted that that are some few outstanding documents. These documents will be forwarded before the end of business day on 06/11/2009.

Name: J.N. Madondo

Position: CFO

Date: 04/11/2009

Auditor's response

Tender documents listed above are still outstanding.

13. PERFORMANCE INFORMATION

13.1 EX 33 - Service delivery budget implementation plan (SDBIP)

Audit Finding

- Contrary to MFMA, sec 53(3) (a), the service delivery budget Implementation plan did not include service delivery targets and performance indicators for each quarter.
- The SDBIP had not been approved within 28 days after approval of the budget (MFMA sec 53(1)(c))

Root Cause

Non compliance with legislative requirements pertaining to the planning, monitoring, managing and reporting of performance information

Risk

Users may not be able to assess the extent to which the municipality had complied with its service delivery requirements

Recommendation

The relevant legislative provisions should be adhered to in order to enhance the accurate and complete disclosure of financial and non-financial information.

Management response

I am in agreement with the finding; the 2009/2010 SDBIP has taken cognizance of issues raised above.

Name: Wynand Viljoen

Position: Acting Executive Director Strategic Planning and Economic Services

Date: 04/11/2009

Auditor's response

To be followed up during the 2009-10 audit.

1.4 EX 74 - No regular performance reporting

Audit Finding

The following non-compliance areas were noted in relation to the performance management system:

- The community was not involved in the development implementation and review of the PMS by means of a municipal wide structure for community participation MSA, sec 42; Reg 15)
- Service delivery targets and indicators for each quarter as set out in the performance agreement were not made public no later than 14 days after the approval of the SDBIP. MFMA,sec 53(1) and (3).

Root Cause

Policies and Procedures related to reliable reporting on performance information were not established to ensure that compliance with applicable legislation.

Risk

- Municipality will not be able to detect early indications of under performance during the year
- Non-compliance issues could compromise the accuracy, completeness, and occurrence of reporting information.

Recommendation

Applicable legislation on performance measurement should be adhered to and policies and procedures should be developed, approved and implemented to enhance compliance

Management response

I am in agreement with the finding, recommendations will be implemented

Name: Wynand Viljoen

Position: Acting executive director strategic planning and economic development

Date:04/11/2009

Auditor's response

To be followed up during the 2009-10 audit.

ANNEXURE C: ADMINISTRATIVE MATTERS

1. EMPLOYEE COST

1.1 EX 61 - No electronic leave recording system

Audit Finding

The municipality does not have an electronic leave recording system in addition to the manual leave register that is maintained.

Root Cause

Management has not specified the financial reporting objectives with sufficient clarity and criteria to enable the identification of risks to reliable financial reporting.

Risk

Instances may occur where the manual leave records are damaged/ or lost thereby resulting in an inaccurate/ or incomplete computation of the leave provision.

Recommendation

Management should ensure that an electronic leave recording system is maintained in addition to the manual leave register.

Management response

I am in agreement with the finding; the department is busy loading data onto the VIP payroll leave module.

Name: Themba Ndumo

Position: Human Resource Officer

Date: 02/11/2009

Auditor's response

To be followed up during the 2009-10 audit.

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uThukela District Municipality
Annual financial statements
for the year ended 30 June 2009

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Legal form of entity	District Municipality
Mayor	ClIr SM Sithole
Deputy Mayor	ClIr SA Mvelase
	ClIr NM Hadebe (Speaker)
Councillors	Mr S Bandu
	Mr MJ Ntshaba
	Ms BC Buthelezi
	Mr DS Nhlangothi
	Mr RM Mlaba
	Ms TY Nqubuka
	Ms ST Ntshalinthali
	Dr FA Khan
	Mr MN Mlotshawa
	Mr JMH Wood
	Mr SN Zwane
	Mr ZJ Dlaedwa
	Mr PJ Hurter
	Mr DS Ndaba
	Ms SG Mabaso
	Mr TA Sigubudu
	Mr MG Hlubi
	Mr MC Mchunu
	Mr BA Mnculwane
	Mr TP Mazibuko
	Mr CJS Nunes
	Mr TM Cele
	Mr EN Lushaba
	Ms SP Hadebe
	Ms MD Mazibuko
	Mr BH Sithole
Grading of local authority	4
Accounting Officer	Mr SSB Nkehli
Chief Finance Officer (CFO)	Mr JN Madondo
Registered office	76 Murchison Street Ladysmith 3370
Business address	76 Murchison Street Ladysmith 3370
Postal address	Po Box 116 Ladysmith 3370
Bankers	ABSA - Ladysmith
Auditors	Office of the Auditor General
Attorneys	Ramkhelawan INC

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

Appendix A: Schedule of External loans	49
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Abbreviations

IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
PSL	Past Service Liability
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

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MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the grants and subsidies and internal funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 49, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2009 and were signed on its behalf by:

Accounting Officer



Report of the Auditor General

To the Provincial Legislature of uThukela District Municipality

Report on the Financial Statements

I have audited the accompanying annual financial statements of the uThukela District Municipality which comprise the statement of financial position as at 30 June 2009, 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, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 6 to 49.

Basis of accounting

The Entity's policy is to prepare annual financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note xx] [note xx to the financial statements].

Office of the Auditor General

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

Financial year 2008/2009 saw various reforms facing Local Government in general and our municipality in particular among these were financial report reforms which was the conversion process of annual financial statements from IMFO Statement to GRAP/GAMAP Standards, (refer to 40 of the notes to financial statements) for standards adopted, in compiling the same.

It is always difficult to match communities' expectations (needs) to available financial resources, this has been aggravated by the country's recession, which saw an increase in consumers' debtors' book and provisions thereof, thus impacting negatively on our financial position. This confirms that as the municipality we were immune from the global economic melt down.

Despite all odds, we remain committed as the municipality to render quality and sustainable service to our communities. To achieve this goal, we are striving within available means to stretch each rand as far as possible.

Lastly, I would like to thank my council and staff for support during this challenging financial year.

SSB Nkehli

MUNICIPAL MANAGER

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

	Note(s)	2009 R	2008 R
Assets			
Current Assets			
Cash and cash equivalents	3	3 203 769	11 258 968
Consumer debtors	4	40 820 203	23 232 027
Trade and other receivables from exchange transactions	5	16 934 122	12 280 740
Inventories	6	5 403 392	5 229 318
Prepayments	7	277 809	197 281
Vat	8	-	851 123
		66 639 295	53 049 457
Non-Current Assets			
Property, plant and equipment	10	621 814 343	590 832 309
Intangible assets	11	54 542	-
		621 868 885	590 832 309
Total Assets		688 508 180	643 881 766
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	12	108 629 106	71 219 239
Other payable from non-exchange transaction	13	15 135 750	2 285 863
Retirement benefit obligation	14	13 449 950	10 938 261
Consumer deposits	15	6 040 518	3 934 183
Unspent conditional grants and receipts	16	32 311 781	42 902 536
Other financial liabilities	18	3 323 970	3 054 544
Finance lease obligation	19	840 286	608 876
Operating lease liability	17	283 024	234 816
Vat payable	9	8 557 837	-
		188 572 222	135 178 318
Non-Current Liabilities			
Other financial liabilities	18	17 623 405	20 920 302
Finance lease obligation	19	1 728 800	1 069 311
		19 352 205	21 989 613
Total Liabilities		207 924 427	157 167 931
Net Assets		480 583 753	486 713 835
Net Assets			
Accumulated surplus		480 583 753	486 713 835

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue			
Service charges	20	93 159 574	65 927 991
Interest received		19 026 605	9 010 128
Fines		5 000	-
Government grants and subsidies	21	234 864 571	193 246 566
Other income		3 289 133	2 202 487
Total Revenue		350 344 883	270 387 172
Expenditure			
Employee related costs	22	75 054 039	68 296 897
Remuneration of councillors	23	3 419 976	3 191 039
Debt impairment	24	61 905 070	71 459 773
Collection costs		672 697	900 320
Repairs and maintenance		18 552 164	14 839 014
Finance costs	25	3 128 702	3 829 039
Bulk purchases	26	2 454 919	2 369 385
Impairment loss		5 258 717	585 085
Depreciation and amortisation	27	26 089 130	25 180 690
General Expenses	28	215 518 755	163 219 966
Total Expenditure		412 054 169	353 871 208
Gains/(loss) on disposal of assets		(78 262)	(20 851 341)
Actuarial Gains/(Loss)		(2 511 689)	-
Deficit for the year		(64 299 237)	(104 335 377)

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

	Share capital / contributions from owners R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	-	(19 155 471)	(19 155 471)
Changes in net assets			
Change in Accounting policy	-	609 334 369	609 334 369
Correction of prior period error	-	870 314	870 314
Net income (expenses) recognised directly in net assets	-	610 204 683	610 204 683
Surplus for the year	-	(104 335 377)	(104 335 377)
Total recognised income and expenses for the year	-	505 869 306	505 869 306
Total changes	-	505 869 306	505 869 306
Balance at 01 July 2008	-	486 713 835	486 713 835
Changes in net assets			
Change in accounting policy	-	63 804 818	63 804 818
Prior year adjustments	-	(5 545 246)	(5 545 246)
Correction of prior period error	-	(90 417)	(90 417)
Net income (expenses) recognised directly in net assets	-	58 169 155	58 169 155
Surplus for the year	-	(64 299 237)	(64 299 237)
Total recognised income and expenses for the year	-	(6 130 082)	(6 130 082)
Total changes	-	(6 130 082)	(6 130 082)
Balance at 30 June 2009	-	480 583 753	480 583 753

Note(s)

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash receipts from customers		311 095 015	316 607 889
Cash paid to suppliers and employees		(307 016 847)	(303 268 937)
Cash generated from operations	29	4 078 168	13 338 952
Finance costs		(2 741 947)	(3 583 274)
Net cash from operating activities		1 336 221	9 755 678
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(4 013 831)	(5 067 094)
Sale of property, plant and equipment	10	353 120	(1 205 051)
Purchase of other intangible assets	11	(55 000)	-
Impairment loss		(5 258 717)	(585 085)
Net cash from investing activities		(8 974 428)	(6 857 230)
Cash flows from financing activities			
Repayment of Long term loans		(3 027 471)	(3 339 730)
Movement in Consumer deposits		2 106 335	2 821 987
Finance lease payments		504 144	84 107
Long term Debtor		-	585 085
Net cash from financing activities		(416 992)	151 449
Total cash movement for the year		(8 055 199)	3 049 897
Cash at the beginning of the year		11 258 968	8 209 071
Net increase (decrease) in cash and cash equivalents	3	3 203 769	11 258 968

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be operating in the manner intended by the municipality. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, item of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Buildings	
• Dams	80
Plant and equipment	

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.1 Property, plant and equipment (continued)	
• Graders	5
• Tractors	5
• Mechanical horses	5
• Compressors	2
• Lawnmowers	5
• Laboratory equipment	5
• Radio equipment	5
• Telecommunication equipment	5
• Irrigation systems	10
• Lathes & Milling equipment	5
• Tippers	5
• Tools	5
• General	5
Water:	
• Meters	10
• Supply/reticulation	20
• Reservoirs and tanks	30
• Water pumps	5
• Mains	30
• Rights	30
• Boreholes	15
Sewerage:	
• Sewers	30
• Outfall sewers	40
• Purification works	30
• Sewerage pumps	5
• Sludge machines	15
Office equipment	
• Computer equipment	3
• Office machines	3-5
• Air conditioners	3
• Furniture and fittings	7
• Emergency equipment	5
• Security equipment	5
Other Assets	
• Office building	30
• Motor vehicles	5
• Truck/bakkies	5

The residual value and the useful life of each asset and depreciation method is reviewed at the end of each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Incomplete Construction work

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

Derecognition

Item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.2 Intangible assets

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Intangible assets (continued)

Initial Recognition

- An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- Intangible assets are initially recognised at cost.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Computer software	2

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or services potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.3 Financial instruments

Initial recognition and measurement

Financial instruments are initially recognised at fair value.

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through surplus or deficit, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through surplus or deficit or financial liabilities carried at amortised cost (other).

The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.3 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade payables are categorised as financial liabilities held at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are categories as financial assets: loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost. Finance charges on bank overdraft are expensed as incurred.

Bank overdraft are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.5 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Presentation of currency

These annual financial statements are presented in South African Rand.

1.7 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.8 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.9 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required.

Provisions are not recognised for future operating Surplus.

If an entity has a contract that is onerous, the present obligation net of recoveries under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingencies are disclosed in note 31.

1.10 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Revenue from exchange transactions

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

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.11 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

1.13 Grants, transfers and donations

Grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any conditions, criteria or obligations associated with the grant

To the extent that the conditions, criteria or obligations have not been met, a liability shall be recognised in the Statement of Financial Position.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.14 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act no. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to retirees. According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and the Council for the remaining 60%. The medical aid contribution are charged to the Statement of Financial Performance as they fall due.

The additional cost effect of the post retirement obligations is immaterial and the cost thereof are charged to the Statement of Financial Performance as they fall due. The Municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their in

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.17 Employee benefits (continued)

current and prior periods whereby that benefit is discounted to determine its present value.

The actuarial valuation is performed by an independent qualified actuary on an annual basis using the projected unit credit method. When the calculation results in a benefit to the Municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

2009	2008
R	R

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice GRAP, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act no 56 of 2003).

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

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

The accounting policies are applied consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the accounting Standards Board, are summarised as follows:

Standard Title of Standard

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associate
GRAP 8 Interest in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 12 (AC 102) Income Taxes
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5, as issued by the accounting Standards Board. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2008 is as follows:

Statement of financial position

Property, plant and equipment

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
2. Changes in accounting policy (continued)		
Previously stated	-	765 614 061
Transfer from Accumulated surplus	-	(765 614 061)
Additions transferred from accumulated surplus	-	729 717 339
	-	729 717 339
Accumulated depreciation		
Previously stated	-	-
Transfer from accumulated surplus	-	91 733 307
	-	91 733 307
Reserves		
Previously stated	-	888 533
Transferred to Accumulated Surplus/(Deficit)	-	888 533
	-	1 777 066
Statutory Fund		
Previously stated	-	16 532 062
Transferred to Accumulated Surplus/(Deficit)	-	(16 532 062)
	-	-
Loans Redeemed and Other Capital Receipts		
Previously stated	-	738 520 386
Transferred to Accumulated Surplus/(Deficit)	-	(738 520 386)
	-	-
Long-term Debtors		
Previously stated	-	585 085
Transferred to impairment of asset	-	(585 085)
	-	-
Operating lease Liability		
Transferred from Accumulated Surplus/(Deficit)	-	(234 981)
Finance lease liability		
Previously stated	-	1 190 404
Capitalised operating leases that are defined as Finance leases	-	751 019
Transferred payments from Accumulated Surplus/(Deficit)	-	(140 962)
Reallocation of Payments from lease rentals	-	(122 670)
	-	1 677 791
Inventory		
Previously stated	-	246 652
Transferred from accumulated surplus	-	503 798
	-	750 450
Opening retained earnings		
Previously stated	-	(18 979 181)
Reversal of contribution to prior year deficit	-	(2 000 000)
Transfer of Statutory fund	-	16 532 062
Reserves no longer permitted	-	888 533
Changes in Fixed assets	-	(39 276 064)

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
2. Changes in accounting policy (continued)		
Transfer of Loans redeemed and other Capital receipts	-	738 520 386
Operating liability	-	(234 981)
Change in the recognition of leases	-	140 962
Backlog depreciation	-	(91 733 307)
	-	603 858 410

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 700	7 700
Bank balances	2 347 870	2 085 542
Short-term deposits	848 199	9 165 726
	3 203 769	11 258 968

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2009	30 June 2008	30 June 2007	30 June 2009	30 June 2008	30 June 2007
ABSA Bank (Ladysmith) Account no - 4048800058	1 744 383	1 056 865	(2 854 422)	1 493 934	1 056 865	(1 902 046)
ABSA Bank (Ladysmith) Account no - 4062520058	603 487	1 028 677	933 822	603 487	1 028 677	1 245 759
Cash on Hand	7 700	7 700	7 700	7 700	7 700	7 700
Total	2 355 570	2 093 242	(1 912 900)	2 105 121	2 093 242	(648 587)

4. Consumer debtors

Gross balances

Water	208 198 841	129 368 406
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Less: Provision for debt impairment

Water	(167 378 638)	(106 136 379)
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Net balance

Water	40 820 203	23 232 027
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Water and sanitation

Current (0 -30 days)	11 760 679	16 982 446
31 - 60 days	5 142 804	4 478 588
61 - 90 days	6 364 278	1 770 993
91 - 120 days	17 552 442	-
	40 820 203	23 232 027

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	13 239 439	9 340 345
31 - 60 days	7 016 370	2 463 223
61 - 90 days	12 482 322	1 989 886
91 - 120 days	16 978 276	2 054 862
121 - 365 days	150 877 974	54 649 790
> 365 days	1 189 847	1 189 847

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
4. Consumer debtors (continued)		
Less: Provision for debt impairment	201 784 228 (164 036 369)	71 687 953 (58 375 008)
	37 747 859	13 312 945
Industrial/ commercial		
Current (0 -30 days)	815 027	4 245 612
31 - 60 days	159 455	1 119 647
61 - 90 days	345 750	904 494
91 - 120 days	180 697	934 028
121 - 365 days	2 108 750	24 840 859
	3 609 679	32 044 640
Less: Provision for debt impairment	(2 127 207)	(26 534 095)
	1 482 472	5 510 545
National and provincial government		
Current (0 -30 days)	385 207	3 396 489
31 - 60 days	422 707	895 718
61 - 90 days	401 483	723 595
91 - 120 days	393 469	747 223
121 - 365 days	1 202 068	19 872 687
	2 804 934	25 635 712
Less: Provision for debt impairment	(1 215 062)	(21 227 276)
	1 589 872	4 408 436
Total		
Current (0 -30 days)	14 439 673	16 982 446
31 - 60 days	7 598 532	4 478 588
61 - 90 days	13 229 555	3 617 975
91 - 120 days	17 552 442	3 736 113
121 - 365 days	155 378 639	100 553 284
	208 198 841	129 368 406
Less: Provision for debt impairment	(167 378 638)	(106 136 379)
	40 820 203	23 232 027
Less: Provision for debt impairment		
Current (0 -30 days)	(2 678 994)	(1 846 882)
31 - 60 days	(2 455 729)	(3 736 113)
61 - 90 days	(6 865 277)	-
91 - 120 days	(155 378 638)	(100 553 384)
	(167 378 638)	(106 136 379)
Reconciliation of debt impairment provision		
Balance at beginning of the year	106 136 379	43 284 948
Contributions to provision	61 242 259	62 851 431
	167 378 638	106 136 379
Fair value of consumer debtors		
Consumer debtors	40 820 203	23 232 027

The fair value of trade and other receivables approximate their carrying values.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
4. Consumer debtors (continued)		
Consumer debtors impaired		
The amount of the provision was R 167 378 638 as of 30 June 2009 (2008: R 106 136 379).		
The ageing of these receivables is as follows:		
3 to 6 months	12 000 000	1 770 993
Over 6 months	155 378 638	-
5. Trade and other receivables from exchange transactions		
Deposits - Fuel & Electricity	1 184 579	1 171 819
Outstanding deposit	14 374 596	2 361 924
Unreconciled stock	-	90 418
Metropolitan Life - Investment	-	5 258 717
Sundry debtors	1 374 947	3 397 862
	16 934 122	12 280 740
6. Inventories		
Consumable stores	6 823	8 973
Water	5 396 569	5 220 345
	5 403 392	5 229 318
7. Prepayments		
Prepayments	277 809	197 281
8. Vat		
Vat receivable	-	851 123
Vat is payable on the receipts basis. Vat is paid over to SARS only once payment is received from debtors.		
9. Vat payable		
Vat payables	8 557 837	-
Vat is payable on the receipts basis. Vat is paid over to SARS only once payment is received from debtor.		

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2009			2008		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	1 037 872	-	1 037 872	1 037 872	-	1 037 872
Buildings	482 857	(210 894)	271 963	482 857	(195 637)	287 220
Infrastructure	743 633 536	(130 093 836)	613 539 700	688 089 071	(106 362 812)	581 726 259
Other property, plant and equipment	15 701 006	(11 570 442)	4 130 564	15 669 487	(10 522 205)	5 147 282
Finance lease assets	4 397 819	(1 563 575)	2 834 244	3 586 713	(953 037)	2 633 676
Total	765 253 090	(143 438 747)	621 814 343	708 866 000	(118 033 691)	590 832 309

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Capital under construction	Depreciation	Total
Land	1 037 872	-	-	-	-	-	1 037 872
Buildings	287 220	-	-	-	-	(15 257)	271 963
Infrastructure	581 726 259	2 055 746	-	-	53 488 719	(23 731 024)	613 539 700
Other property, plant and equipment	5 147 282	471 117	(155 945)	212 942	-	(1 544 832)	4 130 564
Finance lease assets	2 633 676	1 486 968	(275 437)	(212 942)	-	(798 021)	2 834 244
	590 832 309	4 013 831	(431 382)	-	53 488 719	(26 089 134)	621 814 343

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Implementation of GRAP	Disposals	Capital under construction	Backlog depreciation	Depreciation	Total
Land	-	-	1 037 872	-	-	-	-	1 037 872
Buildings	-	-	482 857	-	-	(180 381)	(15 256)	287 220
Infrastructure	677 806 533	4 210 778	(6 608 111)	(19 646 290)	32 326 161	(83 500 596)	(22 862 216)	581 726 259
Other property, plant and equipment	13 312 504	890 294	1 466 690	-	-	(8 788 987)	(1 733 219)	5 147 282
Finance lease assets	-	420 050	3 166 664	-	-	(383 038)	(570 000)	2 633 676
	691 119 037	5 521 122	(454 028)	(19 646 290)	32 326 161	(92 853 002)	(25 180 691)	590 832 309

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009	2008
	R	R

10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The uThukela District Municipality have opted to take advantage of Directive 4, issued by the Accounting Standard Board. The municipality have physically verified all assets, tagged movable assets and captured GPS coordinates of immovable assets.

11. Intangible assets

	2009			2008		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Water rights	55 000	(458)	54 542	-	-	-

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Total
Water rights	-	55 000	(458)	54 542

12. Trade and other payables from exchange transactions

Trade payables	75 231 580	44 271 772
DWAF	8 503 483	5 291 437
Loan - Endumeni	8 000	8 000
Trust funds	2 639 912	2 144 257
Retentions	7 382 308	5 784 748
Other Creditors	3 795 112	4 869 339
DBSA - accrued interest	586 232	681 593
Provision for leave	10 482 479	8 168 093
	108 629 106	71 219 239

Fair value of trade and other payables

The fair value of trade and other payables approximate their carrying amounts.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
13. Other payables from non-exchange transactions		
Unidentified receipts	-	889 114
Unidentified water deposits	14 583 435	1 186 591
Levies suspense control	-	1 107
Payment tfr main account/water	42 057	80 338
Bank in suspense	241 277	-
S J Gcabashe credit card	1 922	-
Unclaimed salaries/wages	267 059	128 713
	15 135 750	2 285 863

14. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

This is the first post retirement medical assistance valuation to be performed for the uThukela District Municipality. As such no reconciliation between a prior valuation can be performed. Also, the liabilities for the previous four annual periods cannot be shown.

The following shows the present value of the defined benefit obligation for the current period.

IAS (19)	PSL (Rand's)
Accrued PS liability as at 30 June 2009	13 449 950

Below shows the projected past service liability as at 30 June 2010. It also shows the change in liability due to changes in **medical inflation**.

PSL (Rand's)			
	2.00%	1.00% (base)	0.00%
Accrued PSL as at 30 June 2009	10 842 451	13 449 950	16 995 924
<i>Plus</i> Service cost	1 333 699	1 631 294	2 031 044
<i>Plus</i> interest cost	855 185	1 061 491	1 342 055
Less Employer contributions paid during 2009/2010	69 078	69 430	69 788
Projected PSL as at 30 June 2010	12 962 257	16 073 305	20 299 235

- The service cost in the above represents the increase in the liability due to the additional years of service accrued by active members. For the base case, where we assumed that the gap, or real discount rate was 1.00%, we project a service cost of R1 631 294 for the year ahead. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service.
- The interest cost is based on the discount rate assumption for the current valuation which is based on the zero-coupon South African bond yield curve as at 30 June 2009, the liability accrued as at 30 June 2009 and the contributions paid during the financial year.
- The employer contribution paid during 2009/2010 is the estimated medical scheme contributions paid by uThukela District Municipality with respect to PRMA receiving members during the periods 1 July 2009 to 30 June 2010.
- The liability as at 30 June 2010 is projected to be R16, 073 million.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
15. Consumer deposits		
Water	6 040 518	3 934 183
16. Unspent conditional grants and receipts		
Unspent Conditional Grants from other spheres of Government		
Conditional grants and receipts		
MIG Grants	4 351 375	3 485 102
DWAF	13 738 028	26 454 169
KZN Projects	12 661 048	11 692 821
Sport and Recreation	1 416 140	621 169
MSIG	145 190	649 275
	32 311 781	42 902 536
Movement during the year		
Balance at the beginning of the year	42 902 536	28 598 911
Additions during the year	94 717 887	98 644 245
Income recognition during the year	(105 308 642)	(84 340 620)
	32 311 781	42 902 536
See note 20 for reconciliation of grants. These amounts are invested in ring-fenced investment until utilised.		
17. Operating lease (accrual)		
Opening balance	234 816	234 816
Transfer to Operating lease liability	48 208	-
Current liabilities	(283 024)	(234 816)
	-	-
The properties occupied by the municipality is leased from third party. These leases is operating lease as defined. The operating lease liability is the difference between actual payments made in terms of the lease agreement and the straight lining the lease payments.		
18. Other financial liabilities		
Held at amortised cost		
Loans - DBSA	20 947 375	23 974 846
Loans bear an interest rate between 10% and 15.25% per annum and are repayable over periods between five and twenty years. The loans compromises of 7 Loans approved by the Development Bank of South Africa amounting to R36 511 976.		
Non-current liabilities		
At amortised cost	17 623 405	20 920 302
Current liabilities		
At amortised cost	3 323 970	3 054 544
	20 947 375	23 974 846

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
19. Finance lease obligation		
Minimum lease payments due		
- within one year	1 065 005	806 388
- in second to fifth year inclusive	1 980 615	1 220 519
	3 045 620	2 026 907
less: future finance charges	(476 534)	(349 116)
Present value of minimum lease payments	2 569 086	1 677 791
Present value of minimum lease payments due		
- within one year	840 286	609 428
- in second to fifth year inclusive	1 728 800	1 068 363
	2 569 086	1 677 791
Non-current liabilities	1 728 800	1 069 311
Current liabilities	840 286	608 876
	2 569 086	1 678 187

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2008: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Refer to Appendix A for more detail on finance lease.

20. Service charges

Sale of water	78 137 267	54 093 437
Sewerage and sanitation charges	15 022 307	11 834 554
	93 159 574	65 927 991

21. Government grants and subsidies

Equitable shares	128 819 703	104 885 781
MIG Grant	84 504 727	77 485 199
Development Planning	16 122	-
DWAF	17 437 842	5 926 163
KZN Projects	2 137 192	2 300 465
Sport and recreation	735 868	998 480
MSIG	1 213 117	1 650 478
	234 864 571	193 246 566

Equitable Shares

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent members.

MIG Grant

Balance unspent at beginning of year	3 485 102	858 314
Current-year receipts	85 371 000	77 738 123
Conditions met - transferred to revenue	(84 504 727)	(75 111 335)
	4 351 375	3 485 102

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
21. Government grants and subsidies (continued)		
Conditions for the balance still needs to be met - disclosed as current liability (see note 15).		
KZN Projects		
Balance unspent at beginning of year	11 692 821	11 168 963
Current-year receipts	2 985 075	2 824 323
Conditions met - transferred to revenue	(2 016 848)	(2 300 465)
	12 661 048	11 692 821
Conditions for the balance still to be met - disclosed as current liability (see note 15).		
DWAF		
Balance unspent at beginning of year	26 454 169	14 552 232
Current-year receipts	3 500 000	16 181 800
Conditions met - transferred to revenue	(16 216 142)	(4 279 863)
	13 738 027	26 454 169
Conditions for the balance still to be met - disclosed as current liability (see note 15).		
Sport and Recreation		
Balance unspent at beginning of year	621 167	719 647
Current-year receipts	1 500 000	900 000
Conditions met - transferred to revenue	(705 029)	(998 480)
	1 416 138	621 167
Conditions for the balance still needs to be met - disclosed as current liability (see note 15).		
MSIG		
Balance unspent at beginning of year	649 275	1 299 753
Current-year receipts	735 000	1 000 000
Conditions met - transferred to revenue	(1 239 085)	(1 650 478)
	145 190	649 275
Conditions for the balance still needs to be met - disclosed as current liability (see note 15).		
22. Employee related costs		
Basic	63 129 435	59 315 421
Medical aid - company contributions	1 902 689	-
UIF	449 019	-
WCA	-	224 619
SDL	616 523	554 595
Leave pay provision charge	2 675 510	2 254 832
Travel, motor car, accommodation, subsistence and other allowances	1 562 738	1 250 446
	70 335 914	63 599 913

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	2009 R	2008 R
22. Employee related costs (continued)		
Remuneration of municipal manager		
Annual Remuneration	782 357	685 476
Car Allowance	226 922	200 156
Performance Bonuses	-	131 192
Contributions to UIF, Medical and Pension Funds	35 838	37 072
	1 045 117	1 053 896
Remuneration of chief finance officer		
Annual Remuneration	576 391	580 013
Car Allowance	106 097	93 559
Performance Bonuses	-	95 768
Entertainment	59 197	-
Housing subsidy	22 151	-
	763 836	769 340
Manager: Technical Services		
Annual Remuneration	500 774	441 596
Car Allowance	221 218	195 076
Performance Bonuses	-	90 519
Contributions to UIF, Medical and Pension Funds	-	3 968
	721 992	731 159
Manager: Corporate Services		
Annual Remuneration	520 917	464 906
Car Allowance	144 726	127 652
Performance Bonuses	-	30 173
Contributions to UIF, Medical and Pension Funds	50 790	44 114
Housing subsidy	5 559	-
	721 992	666 845
Manager: Health Services		
Annual Remuneration	519 329	464 134
Car Allowance	195 660	172 538
Performance Bonuses	-	90 519
Housing subsidy	7 003	-
	721 992	727 191
Manager: Water Services		
Annual Remuneration	543 128	476 781
Car Allowance	181 665	160 184
Performance Bonuses	-	93 185
Contributions to UIF, Medical and Pension Funds	18 403	18 403
	743 196	748 553

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	2009 R	2008 R
23. Remuneration of councillors		
Executive Major	399 686	386 919
Deputy Executive Mayor	448 506	403 805
Mayoral Committee Members	696 663	628 750
Speaker	447 136	402 562
Councillors	1 427 985	1 369 003
	3 419 976	3 191 039

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor have the use of a Council owned vehicles for official duties.

The Mayor has three full-time bodyguards.

24. Debt impairment

Contributions to bad-debt provision	61 874 987	71 456 489
Bad debts written off	30 083	3 284
	61 905 070	71 459 773

25. Finance costs

Non-current borrowings	2 566 428	3 153 467
Finance leases	386 755	245 765
Bank	175 519	429 807
	3 128 702	3 829 039

26. Bulk purchases

Water	2 454 919	2 369 385
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27. Depreciation and amortisation

Property, plant and equipment	26 089 130	25 180 690
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	2009 R	2008 R
28. General expenses		
Advertising	569 546	133 336
Assessment rates & municipal charges	-	146 907
Auditors remuneration	835 999	648 307
Bank charges	498 151	298 169
Cleaning	366 403	336 346
Computer expenses	484 003	629 541
Consulting and professional fees	275 631	374 881
Consumables	7 877	9 908
Entertainment	713 632	684 269
Hire	7 160 958	3 613 049
Insurance	1 238 100	1 069 152
Conferences and seminars	19 633	31 651
Lease rentals on operating lease	2 265 026	1 918 076
Magazines, books and periodicals	7 669	6 344
Motor vehicle expenses	136 171	108 205
Fuel and oil	3 400 004	3 527 875
Postage and courier	7 777	8 975
Printing and stationery	695 047	837 962
Promotions	856 577	766 423
Protective clothing	258 447	493 816
Security (Guarding of municipal property)	254 595	205 861
Stock loss/Adjustment	22 413	-
Subscriptions and membership fees	1 053	303 967
Telephone and fax	2 724 346	2 419 408
Training	53 333	150
Assets expensed	1 445 262	1 080 400
Electricity	18 879 391	11 463 735
Water	270 593	227 657
Water tankering	28 410 496	16 951 246
Cost of sales	(460 601)	(503 798)
Audit committee	44 056	-
Chemicals	11 248 384	7 557 380
Other expenses	132 828 783	107 870 768
	215 518 755	163 219 966
29. Cash generated from operations		
Deficit before taxation	(64 299 237)	(104 335 377)
Adjustments for:		
Depreciation and amortisation	26 089 130	25 180 690
Deficit on sale of assets	78 262	20 851 341
Deficit on sale of non-current assets and disposal groups	2 511 689	-
Finance costs	3 128 702	3 829 039
Impairment deficit	5 258 717	585 085
Movements in operating lease assets and accruals	48 208	234 816
Movements in retirement benefit assets and liabilities	(2 511 689)	(10 938 261)
Capital under construction	(53 230 387)	(32 326 161)
Other payables from non-exchange transaction	12 606 707	1 679 916
Change in accounting policy	66 301 817	51 166 842
Prior year adjustments	(5 545 246)	-
Correction of prior period error	(90 417)	870 314
Changes in working capital:		
Inventories	(174 074)	180 681
Trade and other receivables from exchange transactions	(4 653 382)	7 098 614
Consumer debtors	(17 588 176)	25 234 771
Prepayments	(80 528)	(144 755)
Trade and other payables from exchange transactions	37 409 867	11 827 295

uThukela District Municipality

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	2009 R	2008 R
29. Cash generated from operations (continued)		
VAT	9 408 960	(1 959 523)
Unspent conditional grants and receipts	(10 590 755)	14 303 625
	4 078 168	13 338 952

30. Commitments

Authorised capital expenditure

The municipality currently have not committed any capital expenditure.

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	2 266 718	2 070 381
- in second to fifth year inclusive	3 976 852	3 976 852
	6 243 570	6 047 233

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of four years. No contingent rent is payable.

31. Contingencies

Claim Dispute - D. Kistadu	20 000	20 000
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A fire hydrant manhole cover was removed from the road. The claimant damaged his motor cycle when he drove over the exposed fire hydrant. Both the Emnambithi Local Municipality and uThukela District Municipality have being summoned to identify which municipality is liable.

Claim dispute - uMtshezi Crisis Committee	-	500 000
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uMtshezi crisis committee has taken the municipality to the high court disputing the water tariffs.

Claim dispute - L. Rugnath	91 158	91 158
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The municipality had disconnected the water supply to a school for non-payment. However the claimant maintained the account was paid in full. The claimant is suing the council for illegal disconnection.

Claim dispute - Aon South African (Pty) Ltd	90 000	90 000
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Aon lodged an appeal against the tender process and procurement of the appointment of Indwe Risk Services as the brokers for the Council's insurance portfolio.

Leave Dispute - M. Molakwane	-	600 000
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The Official resigned and did not serve his notice period. When the municipality made its final payment to the official, a deduction was made from his salary for the days not worked. The official is claiming payment for these days. This have being finalised and the subsequent appeal was dismissed.

Claim dispute - Telkom	43 000	15 000
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Telkom lodged a claim against Council for damages caused to telkom cables in Main Road C section Ezakheni during repairs done to burst water pipes.

Claim dispute - Telkom	20 000	15 000
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Telkom lodged a claim against Council for damages caused to telkom cables in Pendency Street, Ladysmith during repairs done to burst water pipes.

uThukela District Municipality

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Notes to the Annual Financial Statements

	2009 R	2008 R
31. Contingencies (continued)		
Claim dispute - M.E. Ndlovu	<u>150 000</u>	<u>150 000</u>
A child had been injured whilst playing on a windmill in the Thawa area. The claimant is suing the Council for injuries sustained. A settle of R150 000. agreed between the insurance company and the municipal lawyers, has been offered as settlement. The Council's insurers subsequently indicated that the matter must be decided in court and there should be no further negotiations. The matter is accordingly proceeded to Court.		
NURCHA	<u>270 000</u>	<u>-</u>
The municipality is being sued for monies payable in terms of a cession agreement.		
AQUAMANZI	<u>621 000</u>	<u>-</u>
Municipality is being sued for work done.		
J. Potgieter	<u>7 000</u>	<u>-</u>
Municipality is being sued for damage to a wall during a repair to a burst pipe.		
J vd Merwe	<u>4 000 000</u>	<u>-</u>
uThukela District Municipality and Enambithi Local Municipality is being sued for a reservoir that was constructed on the plaintiff's land.		
Ennambithi/Ladysmith Municipality	<u>1 358 914</u>	<u>-</u>
Ennambithi/Ladysmith Municipality is responsible for the refurbishment of roads. They have however billed uThukela DM for the refurbishment of roads in cases were uThukela DM had to dig up the road to replace burst water pipes. This matter is still under dispute and has to be resolved between the District and the Local Municipality.		
32. Comparative figures		
Certain comparative figures have been reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.		
33. Prior period errors		
During the physical verification of Property, plant and Equipment, assets were identified that was not previously included in the asset register. The asset register was subsequently updated to include these asset. Stock adjustments was incorrectly disclosed in trade and other receivables from non-exchange transaction.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Trade and other receivables from exchange transactions	(90 417)	-
PPE	-	870 314
Opening retained earnings	90 417	(870 314)
34. Water losses		
Water losses	<u>16 282 872</u>	<u>-</u>

The above attributes to among other things, water loss during pipe bursts, unidentified leaks, thief of water meters, non-metered areas like Ezakheni and unidentified illegal connections.

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	2009 R	2008 R
35. Risk management		
Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
Interest rate risk		
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The municipality is going to independently rate their customers. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.		
36. Going concern		
We draw attention to the fact that at 30 June 2009, the municipality had accumulated Surplus of R 480 583 753 and that the municipality's total assets exceed its liabilities by R 480 583 753.		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
The municipality is experiencing cash flow difficulties due to none payment of services, high rate of unemployment poor decision around demarcations process, inherent DBSA loans etc. The above adds to difficulties in relation to the working capital of the municipality. Consequently at times drawing grants for operational employment. The above is satisfied by the turnaround strategy employed and vigorous credit control activities.		
37. Events after the reporting date		
There is no matters or events arising after year end.		
38. Unauthorised expenditure		
Bulk Purchases	2 454 919	2 369 385
The unauthorised expenditure relates to raw water purchased from DWAF. The municipality is currently engage in discussions with DWAF to identify the settlement amount due by the municipality. The liability as at the end of June 2009, amounts to R 8 503 483 (included in Trade and other payables from exchange transaction).		
39. Fruitless and wasteful expenditure		
Eskom	61 516	20 546
KZN Joint municipal pension	6 434	-
DWAF	-	352 548
Compu Supplies	-	3 632
	67 950	376 726

uThukela District Municipality

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Notes to the Annual Financial Statements

	2009 R	2008 R
39. Fruitless and wasteful expenditure (continued)		
Eskom accounts are paid in bulk on a monthly basis via EFT. The invoices have different due dates therefore penalty interest is raised on some for late payment. Management is currently negotiating with Eskom to have the same due dates for all invoices.		
KZN joint municipal pension fund was paid late. Therefore penalty interest is raised on these late late payment.		
The Department of Water Affairs and Forestry has raised interest on the District's accounts for non payment of raw water purchases. Management is in the process of reconciling the account and negotiating with DWAF regarding the write off of the interest raised.		
Compu Supplies instituted legal action against the council for the late payment of outstanding invoices.		
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	38 209	36 027
Amount paid - current year	(38 209)	(36 027)
	-	-
Audit fees		
Opening balance	565 121	850 000
Current year subscription / fee	836 000	500 000
Amount paid - current year	(324 068)	-
Amount paid - previous years	(565 121)	(784 879)
	511 932	565 121
PAYE and UIF		
Opening balance	720 675	505 484
Current year subscription / fee	8 500 058	9 047 258
Amount paid - current year	(8 500 058)	(8 326 583)
Amount paid - previous years	(720 675)	(505 484)
	-	720 675
The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid in July 2008.		
Pension and Medical Aid Deductions		
Opening balance	-	826 141
Current year subscription / fee	11 092 351	10 174 109
Amount paid - current year	(11 092 351)	(10 174 109)
Amount paid - previous years	-	(826 141)
	-	-
VAT		
VAT receivable	-	851 123
VAT payable	8 557 837	-
	8 557 837	851 123

VAT output payables and VAT input receivables are shown in note .

uThukela District Municipality

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Notes to the Annual Financial Statements

2009	2008
R	R

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

All VAT returns have been submitted by the due date throughout the year.

41. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

42. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

43. New standards and interpretations

43.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the municipality's financial instruments.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a subsidiary, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

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43. New standards and interpretations (continued)

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The municipality has adopted the amendment for the first time in the 2009 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exists in

uThukela District Municipality

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

uThukela District Municipality

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 11: Construction Contracts

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospect application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

uThukela District Municipality

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

uThukela District Municipality

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a subsidiary acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2008.

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

43.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods but are not relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

uThukela District Municipality

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Notes to the Annual Financial Statements

43. New standards and interpretations (continued)

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

2009	2008
R	R

Appendix A: Schedule of external loans

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Loan Number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA	
		Rand	Rand	Rand	Rand	Rand	Rand	
LONG-TERM LOANS								
ABSA	67804584	10/07/2008	3 280	-	3 280	-	-	
ABSA	67804592	10/07/2008	3 280	-	3 280	53 236	-	
ABSA	67804606	10/07/2008	3 280	-	3 280	53 236	-	
ABSA	67804614	10/07/2008	3 280	-	3 280	-	-	
ABSA	67804622	10/07/2008	3 280	-	3 280	-	-	
ABSA	67804630	10/07/2008	3 280	-	3 280	-	-	
ABSA	67804886	10/07/2008	3 280	-	3 280	53 236	-	
ABSA	72179418	19/09/2009	49 587	-	39 058	79 680	-	
ABSA	72179426	19/09/2009	49 587	-	39 058	79 680	-	
ABSA	72174950	19/09/2009	49 587	-	39 058	79 680	-	
ABSA	72179434	19/09/2009	49 587	-	39 058	79 680	-	
ABSA	72179442	19/09/2009	49 587	-	39 058	79 680	-	
ABSA	70851968	14/06/2011	73 241	-	21 475	78 020	-	
ABSA	70851984	14/06/2011	73 241	-	21 475	78 020	-	
ABSA	70851992	14/06/2011	73 241	-	21 475	78 020	-	
ABSA	70852000	14/06/2011	73 241	-	21 475	78 020	-	
ABSA	70852018	14/06/2011	73 241	-	21 475	78 020	-	
ABSA	70852026	14/06/2011	73 242	-	21 475	78 020	-	
ABSA	70851976	14/06/2011	73 242	-	21 475	78 020	-	
ABSA	76759320	14/03/2013	406 820	-	67 204	280 993	-	
ABSA	77450721	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77452767	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77451310	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77451426	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77451604	06/08/2013	-	138 584	16 514	117 796	-	
ABSA	77451787	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77452481	06/08/2013	-	138 584	16 562	117 796	-	
ABSA	77452961	06/08/2013	-	138 585	16 562	117 796	-	
ABSA	77453070	06/08/2013	-	138 585	16 562	117 796	-	
ABSA	77451205	06/08/2013	-	138 585	16 562	117 796	-	
ABSA	77579341	06/09/2013	-	309 300	33 138	344 441	-	
			1 190 404	1 695 143	634 489	2 251 058	2 907 642	-
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA @ 12.00%	10346/202	31/03/2018	3 953 011	-	221 605	2 388 633	-	
DBSA @ 10.00%	9631/101	31/03/2015	7 728 790	-	808 734	-	-	
DBSA @ 12.00%	9631/201	31/03/2017	5 510 135	-	367 555	7 167 616	-	
DBSA @ 15.25%	9631/401	31/03/2019	819 578	-	32 215	525 741	-	

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Loan Number	Redeemable	Balance at 30 June 2008	Received during the period	Redeemed written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
DBSA @ 9.71%	9631/502	30/09/2019	178 250	-	15 500	162 750	176 457	-
DBSA @ 9.81%	13674/101	30/09/2020	2 179 500	-	174 360	2 005 140	1 406 136	-
DBSA @ 11.00%	2955/102	30/09/2010	3 479 150	-	1 281 070	2 198 080	-	-
DBSA @ 14.65%	13154/1	31/12/2009	100 505	-	100 505	-	-	-
DBSA @ 13.75%	13155/1	31/12/2009	25 926	-	25 926	-	-	-
			23 974 845	-	3 027 470	20 947 375	11 664 583	-
TOTAL EXTERNAL LOANS			25 165 249	1 695 143	3 661 959	23 198 433	14 572 225	-

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix B: Analysis of Property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009
Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Land										
Land	1 037 872	-	-	-	1 037 872	-	-	-	-	1 037 872
	1 037 872	-	-	-	1 037 872	-	-	-	-	1 037 872
Buildings										
Buildings	482 857	-	-	-	482 857	195 637	15 256	-	210 893	271 964
	482 857	-	-	-	482 857	195 637	15 256	-	210 893	271 964
Infrastructure										
Roads	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purif	249 783 848	283 586	-	-	250 067 434	29 722 834	6 851 383	-	36 574 217	213 493 217
Water Mains & Purification	419 605 942	1 772 160	53 488 719	-	474 866 821	69 585 889	16 012 119	-	85 598 008	389 268 813
Reservoirs – Water	12 217 311	-	-	-	12 217 311	3 011 286	285 061	-	3 296 347	8 920 964
Water Meters	6 481 967	-	-	-	6 481 967	4 042 803	582 461	-	4 625 264	1 856 703
	688 089 068	2 055 746	53 488 719	-	743 633 533	106 362 812	23 731 024	-	130 093 836	613 539 697

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Other assets										
Office Equipment	1 205 034	31 003	-	-	1 236 037	935 003	152 323	-	1 087 326	148 711
Furniture & Fittings	2 641 067	49 491	-	26 004	2 664 554	1 659 866	209 683	19 081	1 850 468	814 086
Emergency & Fire Equipment	511 343	-	-	-	511 343	359 082	-	-	359 082	152 261
Motor vehicles	5 887 363	319 311	-	580 576	5 626 098	4 229 912	490 550	436 255	4 284 207	1 341 891
Computer Equipment	2 697 921	52 826	-	44 368	2 706 379	1 656 233	269 747	39 932	1 886 048	820 331
Computer software	154 078	-	-	-	154 078	70 676	16 866	-	87 542	66 536
Other Assets	2 572 681	18 486	-	1 591	2 589 576	1 611 434	405 661	1 326	2 015 769	573 807
	15 669 487	471 117	-	652 539	15 488 065	10 522 206	1 544 830	496 594	11 570 442	3 917 623
Finance lease assets										
Office Equipment	751 020	-	-	-	751 020	372 402	135 184	-	507 586	243 434
Motor vehicles	2 835 693	1 486 968	-	462 920	3 859 741	580 636	662 836	187 483	1 055 989	2 803 752
	3 586 713	1 486 968	-	462 920	4 610 761	953 038	798 020	187 483	1 563 575	3 047 186
Total	708 865 997	4 013 831	53 488 719	1 115 459	765 253 088	118 033 693	26 089 130	684 077	143 438 746	621 814 342

uThukela District Municipality

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Supplementary Information

Appendix C: Segmental analysis of Property, plant and equipment

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

GOVERNMENT TEMPLATE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

Current year 2009 Yrly Per. Act. Bal.	Current year 2009 Yrly Per. Bud. Amt	Variance
June Year to Date	June Year to Date	
-	-	-

Prior Year # 1 2008 Yrly Per. Act. Bal.	Prior Year # 1 2008 Yrly Per. Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
June Year to Date	June Year to Date		
-	-	-	

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Actual versus Budget (Revenue and Expenditure)

	Current year	Current year	Variance	Var	Explanation of Significant Variances greater than 10% versus Budget
	2009	2009			
	Act. Bal.	Bud. Amt	R'000		
	R'000	R'000			
Revenue					
Service charges	93 160	91 389	1 771	1.9	
Interest received from investments	538	811	(273)	(33.7)	Difference represents interest earned in the municipality's primary bank account.
Fines	5	-	5	-	Municipal does not budget for fines. Fines is raised when a member of the community contravenes the Bylaws.
Government grants	234 865	278 483	(43 618)	(15.7)	Conditions of conditional grants were not met during the financial year therefore not recognised as income.
Interest received from consumers	18 489	5 776	12 713	220.1	Increase in consumer debts.
	347 057	376 459	(29 402)	(7.8)	
Other income					
Other income	3 289	2 031	1 258	61.9	Under budgeted administration income to implement MIG.
Property, plant and equipment	-	400	(400)	(100.0)	
	3 289	2 431	858	35.3	
Total Revenue	350 346	378 890	(28 544)	(7.5)	
Expenses					
Employee related costs	(75 054)	(78 082)	3 028	(3.9)	
Remuneration of councillors	(3 420)	(4 088)	668	(16.3)	Councillors and Mayoral allowance was over provided.
Debt impairment	(61 905)	(700)	(61 205)	8 743.6	Change in municipality's accounting policy.
Collection costs	(673)	(613)	(60)	9.8	
Depreciation	(26 089)	(1 400)	(24 689)	1 763.5	Current depreciation was calculated at financial year.
Repairs and maintenance	(18 552)	(22 735)	4 183	(18.4)	New vehicles was purchased during year. Old vehicles were disposed off. Car allowance is awarded to the Supervisors. Who service these vehicles at their own cost.
Finance costs	(3 129)	(4 173)	1 044	(25.0)	Change in interest rate and DBSA loans settled during the financial year.
Bulk purchases	(2 455)	-	(2 455)	-	Purchase of water was not budgeted for the 08/09 year.
General expenses	(215 519)	(267 098)	51 579	(19.3)	Conditions of conditional grants were not met therefore expenditure not recognised.
Impairments	(5 259)	-	(5 259)	-	Irrecoverability of the debtor was identified at year end.
Property, plant and equipment	(78)	-	(78)	-	
	(412 133)	(378 889)	(33 244)	8.8	
Operating profit	(61 787)	1	(61 788)	(6 178 800.0)	
Other revenue and costs	(2 512)	-	(2 512)	-	
Net surplus/ (deficit) for the year	(64 299)	1	(64 300)	(6 430 000.0)	

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	Additions	Under Construction	Closing Balance	Budget	Variance	Variance	Explanation of Significant Variances greater than 5% versus Budget
	Rand	Rand	Rand	Rand	Rand	%	
Infrastructure							
Sewerage Mains, Purification & Sanitation	138 885	-	138 885	889 105	(750 220)	(540)	Project contiued into the 2009/2010 financial year.
Water Mains & Purification	1 827 160	532 488 719	534 315 879	50 245 491	484 070 388	91	Change in prices of contraction matrial.
	1 966 045	532 488 719	534 454 764	51 134 596	483 320 168	90	-
Finance lease assets							
Motor vehicles	1 486 968	-	1 486 968	1 486 968	-	-	
	1 486 968	-	1 486 968	1 486 968	-	-	-
Other property, plant and equipment							
Office Equipment	31 003	-	31 003	71 851	(40 848)	(132)	Delay procurement process to acquire office equipment.
Furniture & Fittings	49 491	-	49 491	38 000	11 491	23	The budget was reduced during the budget review.
Computer equipment	52 826	-	52 826	-	52 826	100	UPS burnt and to purchase a replacement.
Motor vehicles	319 311	-	319 311	319 311	-	-	
Other assets	18 486	-	18 486	13 500	4 986	27	The budget was reduced during the budget review.
	471 117	-	471 117	442 662	28 455	6	-
Total	3 924 130	532 488 719	536 412 849	53 264 226	483 148 623	90	-

uThukela District Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix F: Disclosure of Grants and subsidies in terms of the Municipal Finance Management Act

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

June 2009

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
MIG	National Treasury	25 000	20 000	16 371	24 000	27 399	13 238	10 343	33 641	-	-	-	-		Yes	
Water conservation & demand management	DWAF	-	-	1 000	1 000	-	-	-	813	-	-	187	1 000	Training of 20 plumbers had to be completed before Retrofitting could be performed.		
Drought relief grant	DWAF	-	1 500	-	-	-	-	201	1 299	-	-	-	-		Yes	
Finance management grant	National Treasury	735	-	-	-	-	-	253	382	100	-	-	-	Delays in procurement process followed for the purchase of computer equipment.		
uMtshezi sport field	KZN Sport & Recreation	375	-	1 125	-	-	-	-	569	-	-	931	-	Delays in procurement process. Project manager and contractor appointed in 09/2010		
DWAF staff subsidy	DWAF	321	321	321	225	321	321	321	225	-	-	-	-		Yes	
DWAF operating subsidy	DWAF	10	10	7	7	10	10	7	7	-	-	-	-		Yes	
Shared service centre	KZN LGTA	-	-	1 000	-	-	-	-	-	-	-	1 000	-	We are waiting for invoices from the local municipalities.		
Finance management grant	National Treasury	-	250	-	-	-	-	-	-	-	250	-	-	We are waiting for invoices from the internal auditors.		
Growth and development summit	KZN LGTA	100	-	-	-	-	-	-	-	100	-	-	-	This funding is for the IDP cycle for 09/2010.		
Arts, culture and tourism	KZN Arts, culture and tourism	-	1	-	-	-	-	-	-	-	1	-	-		Yes	
Develop Information system	KZN LGTA	1 000	-	-	-	-	-	-	-	1 000	-	-	-	KZN LGTA requested the municipality to delay any expenditure.		
Waste management plan	KZN Agriculture	-	-	300	-	-	-	180	-	-	-	120	-	The plan is work in progress. When the service provider completes the plan the balance will be paid.		
Staff Training	LGSETA	96	132	105	-	-	27	86	79	-	36	105	-	Some of the expenditure was earmarked for 09/2010.		
		27 637	22 214	20 229	25 232	27 730	13 596	11 391	37 015	1 200	287	2 343	1 000			

Note: All amounts is shown in R' 000. This excludes allocations from the Equitable Share.