

# UMZINYATHI

**DISTRICT MUNICIPALITY/  
UMASIPALA WESIFUNDA**



## **ANNUAL REPORT**

**2008 / 2009**

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## **ACRONYMS AND ABBREVIATIONS**

IDP	Integrated Development Plan
LED	Local Economic Development
NSDP	National Spatial Development Perspective
PSEDS	Provincial Spatial Economic Development Strategy
LCF	Local Competitiveness Fund
CAP	Competitive Action Plan
ISRDP	Integrated Sustainable Rural Development Programme
NGO	Non Governmental Organisation
CBO	Community Based Organisation
MIG	Municipal Infrastructure Grant
DCOGTA	Department of Co-operative Government and Traditional Affairs
MFMA	Municipal Finance Management Act
SCM	Supply Chain Management
MSA	Municipal Systems Act
NEPAD	New Partnership for Africa's Development
BEE	Black Economic Empowerment
EEP	Employment Equity Plan
WSP	Workplace Skills Plan
IGR	Intergovernmental Relations
DCF	District Coordinating Forum
UPE	Umzinyathi Project Excellence

LAC

Local Aids Council

MDG

Millennium Developmental Goals

## **FOREWORD BY THE MAYOR**

Mr Speaker, respectable Exco members and Councillors, Managers and Officials and the media present, more than it being my duty in terms of Section 127 (2) of the Municipal Finance Management Act No 56 of 2003 to table this annual report in this Council, it moreover gives me pleasure to do it to you for it is a delightful recounting of your achievements during the year 2008/2009. You did not only give me pride in presenting such an exciting report, but you also made a statement to all and sundry that YES WE CAN. The whole district knows we have done it. People know we did it. Province knows we have done it. The country knows we have done it. We know we did it and, unlike others, we know how we did it. It is through your dedication and commitment that we are an ever growing municipality. It comes as no surprise that we are now a source of reference for some good practices. Our budget had to be presented at the request of province during the budget week. It is because of you who, despite coming from different political parties, you never lose your focus that you are here to change the lives of the people of uMzinyathi District for the better. Please keep it up. Never look back. Let us make history each day, rather than repeating history, which Mr Speaker and respectable Councillors require us to exert more effort to improve service delivery.

In terms of Section 127 (2) of the Municipal Finance Management Act No 56 of 2003, I should be submitting the annual report of uThukela Water together with this report, but as we all know the problems associated with uThukela Water, they have not submitted the financial statements for auditing by the Auditor General nor have they submitted their annual report. Respectable Councillors should also remember that the Provincial Executive Council intervened in terms of Section 139 (1) (b) of the Constitution and took over of uThukela Water in December 2007. Investigations were conducted and a turn around strategy was to be developed, but to date no remarkable progress has been communicated to us. This situation poses a serious threat as the Auditor General said it explicitly that if uThukela Water continues failing to submit financial statements, our financial statements for 2009/2010 will certainly have a qualified audit opinion. This is very bad since our hands are tied by the intervention and we can do nothing to correct the situation because the Water Services Authority status vests in the Province.

Apart from this, the annual report I am presenting to you today realistically portrays the municipality as is, in terms of the results of both internal and external independent assessments. I am therefore echoing the pronouncements of the experts on the quality of our work. We are certainly on the move. We have challenges like all government structures in general and local government institutions in particular. Yet we are forging our way ahead within the prevailing budgetary constraints.

As much as I am indebted to you for our achievements, I am equally indebted to the communities of uMzinyathi District for their support of the initiatives we undertake and understanding of our plight where we fall short in terms of meeting their needs. Rome was not built in a day. Our historical backlogs can similarly not be eradicated in a day. Persistence and ever-increasing intensity in our efforts is a prerequisite from our side as community delegates whereas co-operation, support and understanding are indispensable ingredients from our communities. It is for this reason that we communicate constantly, both internally and externally.

Our communication endeavours are no waste. As much as we as a District Municipality keep on communicating with you respectable community members in various ways, please communicate with us without hesitating. According to Sean Gregory Derrick “ No one knows everything, but everyone can learn something”. It is in the endorsement of this statement that I am urging everyone who has interest in the improvement of our peoples’ lives to come forward with ideas and opinions which will help our people out of poverty and service backlogs they are currently experiencing. In iSiZulu we say – INJOBO ITHUNGELWA EBANDLA. Please come forward. This is your municipality. Its success is yours.

We are exploring all possible avenues to change the peoples’ lives not only economically but holistically as shown in the report. It gave me great joy to witness thousands of people who gathered at the Oval grounds in Dundee to watch the Confederations Cup matches in the big screen which the District Municipality erected. This gave us enthusiasm to repeat it during this year’s FIFA World Cup, but now in all the local municipalities. This is what I call a holistic approach to human development which you embraced when you adopted the Municipality’s IDP.

In my foreword to the annual report for 2007/2008 I stated that “ The Municipality has put serious efforts to clear the previous year’s audit queries which led to a disclaimer and I am glad that in 2007/2008 financial year, the situation has improved. I am urging the Municipal Manager and other Managers to work tirelessly to ensure that during the next audit, we receive a clean report”. Yes, it did happen. For the first time since its establishment, uMzinyathi District Municipality has obtained a clean audit report from the Auditor General. This is an exciting achievement for which I am grateful to the Councillors and the officials alike for you are the ones who made it possible. I again urge everyone, who is part of uMzinyathi District Municipality or is associated with it in any way to uphold our values of commitment to inclusive, transparent, customer oriented and corruption-free service.

I am grateful to the provincial and national government departments, Their Worship the Mayors of all the municipalities within the District, Councillors from all political parties who form uMzinyathi District Council and all other structures, government and non-government, who contributed to us achieving the success we achieved during the year 2008/2009. Lastly, I urge all of you to read this report, indeed with some contentment, for it contains very valuable information about our performance during 2008/2009. Share it with whoever you can share it with. Share with us comments you may have and encourage others to do the same.

Keep your outstanding performance up until we get uMzinyathi District people where they should rightfully be. At this juncture, it once again gives me joy Mr Speaker to table the annual report for the 2008/2009 financial year before your Council for consideration and representations to be made thereon.

Thank you

**Cllr M.S Yengwa**

**Mayor**

## **OVERVIEW BY THE ACCOUNTING OFFICER**

Another year has come and gone. It was as hectic as the previous one, if not more. Yes it was for the right course indeed.

This year also saw huge improvements in terms of service delivery. What could possibly be achieved was indeed achieved. A number of initiatives were explored and did produce results.

The Municipal Infrastructure Grant (MIG) of R100,6m which was allocated to the District Municipality during the year 2008/2009 was all spent on water and sanitation projects. 2613 households were provided with water and 1285 with toilets. Again it has to be mentioned that a greater portion of the money went to bulk infrastructure as most of the communities within the District never had water services. The terrain and the rocky nature of some parts of the district coupled with the spatial settlement of the communities account for expenditure which is incurred before the communities could access water. Feasibility studies have been undertaken for the establishment of a district wide waste disposal site and consultations are currently under way with relevant stakeholders.

An incubation programme which is a joint initiative of the District Municipality, SEDA Construction and the Department of Co-operative Governance and Traditional Affairs is progressing quiet well. Thirty women contractors are presently receiving training which is accredited by the Construction Industry Development Board (CIDB) and will soon be in a position to undertake big capital works.

The Council also adopted a Local Economic Development (LED), Agricultural and Tourism strategies which are aimed at improving the lives of the people within the district. Efforts are being made to get these strategies operational with the meager financial means at our disposal.

Our communication with the communities using media, in house communication and community meetings still serves us well. The community satisfaction survey which was undertaken during the year under review indicated that there are some critical areas in which we need to improve. We are accordingly working on the strategy to bridge the gaps that were identified.

I would like to end by thanking His Worship the Mayor, Speaker, Executive Committee, Council, management and staff for their dedication which resulted in the improvements we have seen. Equal thanks go to the service providers, our sister Municipalities within the district, internal auditors and Audit Committee Members national and provincial governments and private sector for the role they played in an effort to improve the functioning of uMzinyathi District Municipality.

May God richly bless you all.

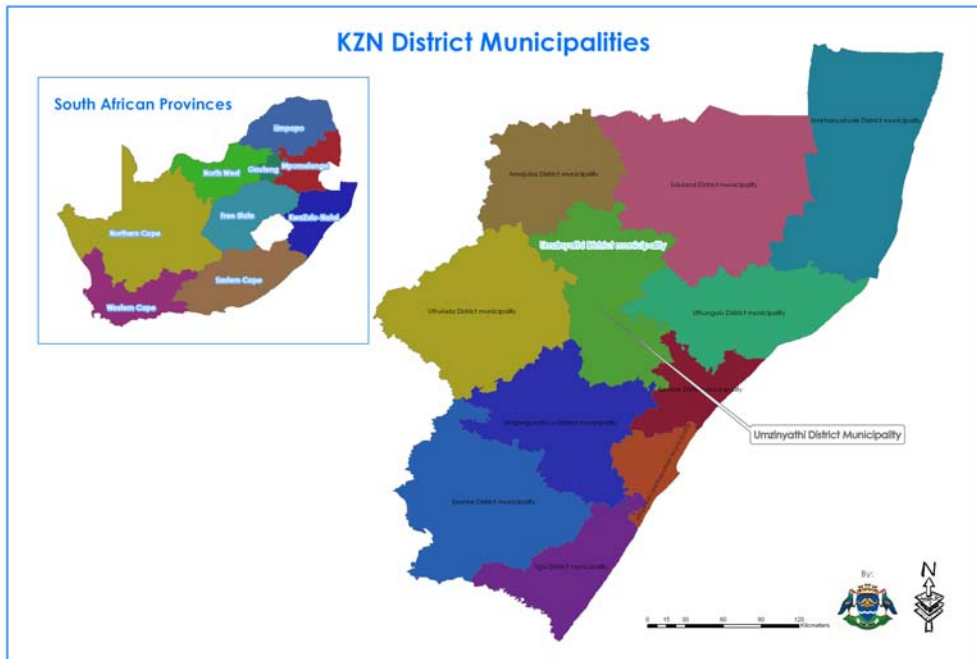
**S.N Dubazana**

**Municipal Manager**

## CHAPTER 1: INTRODUCTION AND GENERAL INFORMATION

### 1.1 BRIEF OVERVIEW

The uMzinyathi District Municipality (DC24) is one of the ten District Municipalities in KwaZulu-Natal. The Municipality is bordered in the north by the aMajuba District Municipality, in the west by the uThukela District Municipality, in the south west by the uMgungundlovu District Municipality, in the south east by the iLembe District Municipality and in the east by uThungulu District Municipality, as shown on the map below:



The district consists of four Local Municipalities, namely:

- Endumeni (KZ 241)
- Nquthu (KZ 242)
- Msinga (KZ 244)
- Umvoti. (KZ 245)



The map below shows the location of the local municipalities within the district:



The Municipal area is 8079 km<sup>2</sup> and has extensive grasslands in the north supporting the primary agricultural sector based on cattle ranching for beef, small scale sheep and mixed farming and maize cultivation. In the southern areas substantial forestry is prevalent. Sugar cane and smaller scale fruit farming such as avocado and kiwi fruit cultivation also occur.

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

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

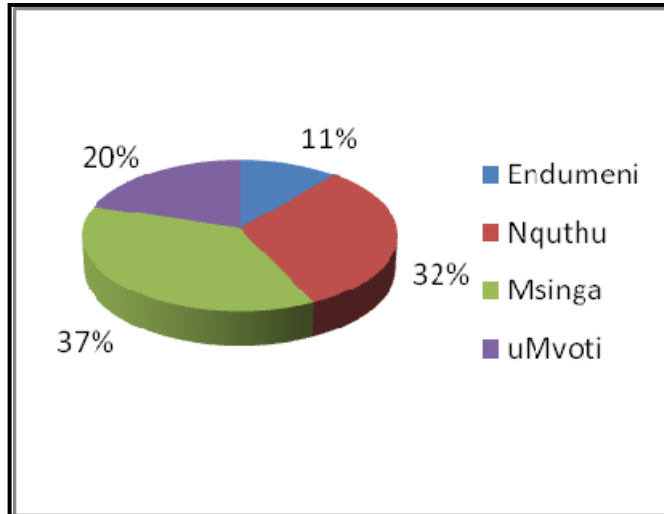
The main town in the uMvoti Municipality is Greytown. It is the agricultural centre of the District and contributes substantially to the economic viability of the District. Nquthu and Msinga Local Municipalities are rural based subsistence economies with cultural heritage areas that attract some tourists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

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

### **1.1.1 Population, Density, Gender and Health- Spatial Implications**

According to the 2001 Census, the uMzinyathi District Municipality has a population of 480 411. This equates to approximately 3.6% of the provincial population that totaled 12 673 793 in 2001. In 2001, the eThekweni Municipality had a population of 3 090 114 (24% of the provincial total). Between 1996 and 2001 the total population of the uMzinyathi District increased by 6.9%. Most notably is the increase in the African populations from 94.5% to 96.5% in 2001.

The Umsinga Municipality has the largest portion with 36.8% of the population residing in this local municipality while only 11.9% of the district’s population resides in Endumeni. The population percentage (2001) per local municipality is shown hereunder:



The following table provides a more detailed breakdown of demographic data per local municipality derived from the 2001 statistics.

	Population	% Population	Male	Female	Pop between 15 and 64
<b>Endumeni</b>	51101	11	49	51	63.6%
<b>Nquthu</b>	168991	32	45	55	50.9%
<b>Msinga</b>	168025	37	42	58	47.2%
<b>uMvoti</b>	92294	20	44	56	56.0%
<b>Umzinyathi</b>	480 411	100	44	56	52%

During 2008/09, the results of the STATSSA 2007 Community Household surveys were released. Hereunder, a comparative table is provided detailing the change in population and household figures between 2001 and 2007 according to STATSSA.

Municipality	Population		Households	
	2001	2007	2001	2007
<b>Endumeni</b>	51101	54447	12278	13755
<b>Nquthu</b>	168991	164887	29318	32169
<b>Msinga</b>	168025	161894	32505	32592
<b>Umvoti</b>	92294	114509	19669	26019
<b>Umzinyathi</b>	480411	495737	93770	104534

From the above table an increase in the population for the district as a whole is calculated at 3,9% between 2001 and 2007. This increase is mainly as a result of the 24% increase in population numbers in Umvoti. An overall decrease in population was observed in Nquthu and Msinga.

The above table also provides insights into household sizes:

- o Endumeni: 4,16 people/hh in 2001 and 3,96 people/hh in 2007
- o Nquthu: 5,76 people/hh in 2001 and 5,13 people/hh in 2007
- o Msinga: 5,17 people/hh in 2001 and 4,96 people/hh in 2007
- o Umvoti: 4,69 people/hh in 2001 and 4,4 people/hh in 2007
- o Umzinyathi: 5,12 people/hh in 2001 and 4,74 people/hh in 2007

A reduction in household sizes is observed in all the municipalities between 2001 and 2007. Such a reduction can be indicative or indicators of a number of factors, notably, lower dependency ratios, higher mortality rates etc. Thus, the exact cause has to be determined before an appropriate response is derived.

### 1.1.2 Adjoining Municipalities

As already noted the Umzinyathi District has the following neighboring district municipalities:

- o Amajuba to the North-West
- o Zululand to the North-East
- o uThungulu to the East
- o iLembe to the South-East
- o uMgungundlovu to the South-West

The following table provides an indication of population and household number changes between 2001 and 2007 as per STATSSA data

	Umzinyathi	Amajuba	Zululand	Uthungulu	Ilembe	Umgundgundlovu	Uthukela
<b>2001 Population</b>	480411	468036	780497	885965	560389	927846	656985
<b>2007 Population</b>	495737	442266	902890	894260	528198	988837	714908
<b>Change</b>	15326	-25770	122393	8295	-32191	60991	57923
<b>Growth (%)</b>	3.19	-5.51	15.68	0.94	-5.74	6.57	8.82
<b>2001 Households</b>	93770	96670	141291	171480	120390	216643	134846
<b>2007 Households</b>	104534	101054	155883	184506	124525	217876	139639
<b>Change</b>	10764	4384	14592	13026	4135	1233	4793
<b>Growth (%)</b>	11.48	4.54	10.33	7.60	3.43	0.57	3.55

The above table indicates significant growth in the population totals for Zululand and Uthukela with 15,68% and 8,82% growth over the 6 year period respectively. The growth over the same period in Umzinyathi was 3,19%. The above also shows a decrease in population numbers in both the Ilembe and Amajuba District Municipality areas by 5,74% and 5,51% respectively.

## **1.2 VISION, MISSION AND CORE VALUES**

### **1.2.1 Vision**

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

### **1.2.2 Mission**

uMzinyathi shall be a dynamic and effective District which:

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

### **1.2.3 Core Values**

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

## **1.3 OVERVIEW OF THE LOCAL MUNICIPALITIES WITHIN UMZINYATHI DISTRICT MUNICIPALITY**

### **a. Endumeni Local Municipality**

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

### **b. Nquthu Local Municipality**

- Main town is Nquthu;
- Entirely rural region; and
- Subsistence agriculture is the main activity in the area.

**c. Msinga Local Municipality**

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

**d. Umvoti Local Municipality**

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

**1.4 DEVELOPMENTAL MANDATE**

Umzinyathi District Municipality has a developmental mandate which it has to fulfil for the community in terms of service delivery thereby improving the living conditions. During 2008/09, the district developed strategies in line with the Key Performance Areas of the Five Year Local Government Strategic Agenda which would assist in realizing the desired results in terms of service delivery, and they are as follows:

- Facilitate Effective Infrastructure and Sustainable Service Delivery
- Promote Sound Administration throughout the District
- Promote Sound Financial Management
- Promote Economically and Socially Sound District
- Promote Community Empowerment

The district has a certain powers and functions which it's performing in realising the above strategies. The District functional responsibilities are shown in light blue and the related local municipality responsibilities for that particular function are shown in orange. The yellow coloured areas represent shared functions. Local jurisdiction is shown with an L.

	<b>DISTRICT MUNICIPALITY FUNCTIONS AND RESPONSIBILITIES</b>	<b>241</b>	<b>242</b>	<b>244</b>	<b>245</b>
1	Water and sanitation				
2	Integrated Development Planning at District Level, Framework Plans & the support of local municipalities	L	L	L	L
3	Passenger transport regulation				
4	Tourism promotion at District level				
5	Local tourism	L	L	L	L
6	Solid waste disposal sites - strategy relating to regulation of waste disposal and establishing operation and control of waste disposal sites, bulk waste transfer facilities and waste				

<b>DISTRICT MUNICIPALITY FUNCTIONS AND RESPONSIBILITIES</b>		<b>241</b>	<b>242</b>	<b>244</b>	<b>245</b>
	disposal facilities for more than one local municipality				
7	Municipal roads which form an integrated part of a road transport system for the area of the district	L	L	L	L
8	Municipal airports serving the area of the District Municipality as a whole				
9	Municipal environmental health serving the area of the District Municipality as a whole				
10	Fire fighting services for district municipality including planning, co-ordination and regulation, specialised services as mountain, veld & chemical fires services; co-ordination of standards of infrastructure, vehicles, equipment and procedures. Training of fire officers	L	L	L	L
11	Fresh produce markets and (abattoirs) serving the area of the District Municipality as a whole				
12	Cemeteries and crematoria	L	L	L	L
13	Municipal public works relating to any of the above functions and/ or other functions assigned to the District Municipality				
15	The receipt, allocation and, if applicable ,distribution of grants made to the District Municipality				
16	The imposition and collection of taxes, levies and duties as related to the above functions or may be assigned to the District Municipality in terms of National legislation.				
17	Air Pollution				
18	Building regulations	L	L	L	L

**Fulfilled functions are indicated as the shaded blocks**

## 1.5 ADMINISTRATIVE STRUCTURE

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

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

The posts of Heads of Departments in all four departments including the one of the Municipal Manager have been filled. The critical posts of personnel in the various departments have also been filled.

## CHAPTER 2: PROGRAMME PERFORMANCE

### PERFORMANCE MEASURED AGAINST THE FIVE NATIONAL KEY PERFORMANCE AREAS

#### 2.1 KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

##### 2.1.1 WATER AND SANITATION PROJECTS

During 2008/09 financial year, the Municipality prepared implementation plans according to the National Key Performance Areas of the five year strategic Local Government Agenda. The implementation plans indicate the target for the Municipality, baseline line information of the year under review and also the performance targets:

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2007/08)	IDP Target (2008/09)	Performance Target (2008/09)	Performance Target (2009/10)
Basic Service Delivery and Infrastructure Investment	Water	To provide a basic level of water service to all households	% of the households with access to a basic level of water service	44,950 households of 104 534 hh had no access to water  59,584 households had access to water	4.5% of 44,950 households which is 2022 households were set as target to be provided with water	6517 (7%) households were provided with water  66 101 households (66%) had access to water by the end of 2008/9	6.8% (2613hh) of 38 852 households to be provided with access to water



**Reason for a Variance:** The municipality had limited funding to reduce backlogs which resulted to the target not being met; terrain also escalates the construction costs. In terms of a strategic approach towards reducing backlogs, the municipality has prepared a Water Services Development Plan (WSDP) which is a long term plan with a five year implementation plan for water services.

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2006/07)	IDP Target (2008/09)	Performance Target (2008/09)	Performance Target (2009/10)
Basic Service Delivery and Infrastructure Investment	Sanitation	To provide a basic level of sanitation service to all households	% of the households with access to a basic level of sanitation facilities	35 541 households (36%) of 104 534 hh had no access to sanitation facilities  68 993 (66%) had access to sanitation facilities	2 % of 35 541 households which is 711 households	5235 (5%) households were provided with sanitation facilities  74 228 households (74%) had access to sanitation facilities at the end of 2008/09 financial year	29.3% (1285 hh) of 30 307 households to be provided with sanitation facilities

**Reason for a Variance:** The municipality had limited funding to reduce backlogs which resulted to the target not being met; terrain also escalates the construction costs. In terms of a strategic approach towards reducing backlogs, the municipality has prepared a Water Services Development Plan (WSDP) which is a long term plan with a five year implementation plan for sanitation services.

During 2008/09, uMzinyathi District Municipality received an allocation of R100,630,000.00 from DCOGTA MIG to implement water and sanitation projects. The Municipality intended reducing the water backlog of 44 950 households (45%) by 4.5% and sanitation backlog of 35 541 households (35%) by 2%. Most of the water and sanitation schemes which are being implemented by the municipality are aimed at laying infrastructural foundation as they are new projects providing communities with access to water and sanitation. During 2008/09 financial year, the municipality implemented the following water and sanitation projects through MIG:

	LM	Ward	Budget	Expenditure to date	Households
<b>2007/08 Water backlog as per Census 07</b>					<b>45369</b>
Makhabeleni Water Supply Phase 3	Umvoti	11	R 7,121,044.00	6,991,532.13	433
Qhudeni Water Scheme VO1	Nquthu	1	R 35,158,838.25	34,085,614.98	1760
Ntanyadlovu/Ngwetshana VO1	Nquthu	10	R 10,308,627.24	10,308,626.84	1132
Ndindindi Water Ph 3	Nquthu	8 & part of 5	R 6,490,933.00	6,451,683.45	1259
Pomeroy Sub-Regional Water Scheme	Msinga	3	R 22,311,268.00	22,202,550.64	1933
<b>Total No. Of Households served with water in 08/09</b>					<b>6517</b>
<b>Total</b>			<b>R 81,390,710.49</b>	<b>R 80,040,008</b>	
<b>Current remaining backlog (30/06/2009)</b>					<b>38 852</b>

	LM	Ward		Amount Spent in 08/09	Households
<b>2007/08 Sanitation backlog as per Census 07</b>					<b>35542</b>
Amangwe Buthanani - Isandlwana Phase 1&2	Nquthu	4		R 4,025,698.25	719
KwaJama Household Sanitation	Nquthu	2,5,14 &15		R 3,627,060.25	648
Othame Sanitation	Msinga	6		R 306,461.62	55
Mbuba-Ward 9 Sanitation	Umvoti	9		R 6,153,365.45	1099
Ruigterfontein Settlement Area : Sanitation	Endumeni	3		R 2,687,300.80	480
Kwakopi / Mhlangana VIP Sanitation	Msinga	9,10,14,15 &16		R 7,720,604.90	1379
Rhodesia Bucket Eradication (UDM)	Endumeni			R 155,608.90	28
Mtshongeni VIP Sanitation	Nquthu	10		R 296,472.96	72
Makhabeleni Sanitation	Umvoti	11		R 4,232,973.28	756
<b>Total No. Of Units constructed in 08/09</b>					<b>5235</b>
<b>Total</b>				<b>R 29,205,546</b>	
<b>Current remaining backlog (30/06/2009)</b>					<b>30 307</b>

Amount spent on Water and Sanitation projects during 2008/2009 financial year was R 80,040,008.00 for water and R 29,205,546.00.

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

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

The municipality also implemented the rudimentary programme during 2008/2009 to ensure that communities with no water schemes as yet have access to water which includes boreholes, springs protection etc. An average of 330 households were provided with water through this programme. The municipality spent R 9,994,715.29 in the implementation of this programmes and the project details are as follows:

<b>Local Municipality</b>	<b>No of boreholes Drilled</b>	<b>Ward Number</b>	<b>Average of five households share each borehole</b>
Endumeni	14	3 and 6	70
Nquthu	20	14 and 5	100
Msinga	16	2, 5, 9 and 17	80
Umvoti	16	5, 6 and 11	80
<b>Total</b>	<b>66</b>		<b>330</b>

### 2.1.2 OTHER INFRASTRUCTURE PROJECTS

During 2008/09 financial year, the municipality also managed to implement the following infrastructural projects, and in some of the projects, the municipality was assisted by the Department of Sports and Recreation. The project details are as follows:

<b>Project Name</b>	<b>Project Budget</b>	<b>Expenditure</b>	<b>Local Municipality</b>	<b>Ward Number</b>	<b>Project Status</b>
Nkamba Community Hall	1,200,000.00	50,000.00	Msinga Local Municipality	3	In Progress
Enseleni Community Hall	1,200,000.00	130,000.00	Umvoti Local Municipality	5	In Progress
Msinga Poultry Pan	200,000.00	95,000.00	Msinga Local Municipality	15	Complete
Halodi access road	3,500,000.00	2,100,000.00	Nquthu Local Municipality	1	In Progress
Inkosi Bhambatha sports field	1,300,000.00	1,300,000.00	Umvoti Local Municipality	5	Complete
Hammernsburg Sports Field	1,300,000.00	1,170,000.00	Umvoti Local Municipality	5	Complete
Development of two regional waste sites	1000,000.00				In Progress
<b>Total</b>	<b>9,700,000.00</b>	<b>4,845,000.00</b>			

## 2.2 KPA 2: LOCAL ECONOMIC DEVELOPMENT

During 2008/09, the municipality implemented interventions which contributed significantly to the Economic Development of the district. These interventions vary from Agriculture, Tourism, Incubator programme etc. The targets which were managed to be reached by the municipality during the year under review are highlighted below:

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2007/08)	IDP Target (2008/09)	Performance Target (2008/09)	Performance Target (2009/10)
Local Economic Development	Economic Development	To Promote Economically and Socially Sound District	Progress made regarding the preparation and approval of the LED Plan	2007/08 Conceptual LED Plan	Preparation and approval of the LED Strategy	LED Plan approved by Council in December 2008	Lobbying for funding to Implement the LED initiatives aimed at promoting economic growth
			Progress made regarding the preparation and approval of the Agricultural Strategy	No plan in place	Preparation and approval of the Agricultural Strategy	Agricultural Strategy approved by Council in December 2008	Lobbying for funding to Implement the Agricultural initiatives aimed at promoting economic growth

National KPA	Local KPA	Objective	Key Performance Indicator	Baseline information (2007/08)	IDP Target (2008/09)	Performance Target (2008/09)	Performance Target (2009/10)
Local Economic Development	Economic Development	To Promote Economically and Socially Sound District	No of hectares ploughed Soya bean and also harvested	Economic Themes study	300 hectares to be ploughed Soya bean and also harvested	300 hectares were ploughed Soya bean but only 228 hectares were harvested	To look for new LRAD farms which are fertile to plant Soya bean – 100 hectares is aimed at.
			Progress made in sourcing co-funding for the Msinga Agri-business	Planting took place in the 10 tunnels but the yield was minimal  Funding was sourced from the Department Economic Development	Sourcing 30% co-funding for the project and creation of jobs	30% co-funding has been sourced from the Department of Co-operative Governance and Traditional Affairs  13 jobs were created through initial planting	Phasing in of planting in the 4 tunnels

<b>National KPA</b>	<b>Local KPA</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Baseline information (2007/08)</b>	<b>IDP Target (2008/09)</b>	<b>Performance Target (2008/09)</b>	<b>Performance Target (2009/10)</b>
Local Economic Development	Economic Development	To establish a facility which will service emerging contractors, particularly women in construction	No of women to benefited from the establishment of this initiative	Conceptual study and business plan in place	Sourcing of funding to establish the facility and also to identify 30 women to be trained at the facility	Facility has been established, and 30 women are undergoing training	To ring fence construction projects to benefit these 30 women to the value of R 10,000,000.00
Local Economic Development	Economic Development	To address the immediate need of poverty alleviation	No of new project categories introduced  No of sustainable projects which have impact in the community	2007/08 Mayoral Projects	Introduction of two new project categories  All new projects have to meet the sustainability framework	Two new project categories were introduced (Livestock farming and welding) Sustainability assessment is being undertaken during 2009/10 fy	Four new project categories guided by the economic trends to be introduced  Review of the sustainability framework for the Mayoral projects



<b>National KPA</b>	<b>Local KPA</b>	<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Baseline information (2007/08)</b>	<b>IDP Target (2008/09)</b>	<b>Performance Target (2008/09)</b>	<b>Performance Target (2009/10)</b>
Local Economic Development	Economic Development	To Promote Tourism development	Progress made regarding the erection of tourism signage	Signage audit in place	To erect 155 tourism signs as per audit	All 155 tourism signs were erected	Maintenance of 155 erected tourism signs
		To Promote Tourism development	Progress made regarding the extension of the curio shop at Kwakopi	Existing building for crafters at Kwakopi	Building of the Curio shop for refreshments which will serve as an extension to the existing building	Curio shop has been constructed and completed	To link this initiative with other initiatives such as the proposed craft hub in Durban,
Local Economic Development	Economic Development	To Promote Tourism development	Progress made regarding the capacitation of crafters with technical and business skills	Crafters are currently developing and selling craft at the center	Capacitation and mentorship of crafters with technical and business skills	Local and international markets have been identified for marketing products.	Ongoing capacitation and mentorship of crafters with technical and business skills

The details of the Local Economic Development initiatives implemented during 2008/09 financial year, are outlined below:

### 2.2.1 AGRICULTURAL RELATED INTERVENTIONS

- **Umzinyathi Agricultural strategy**

The 2007 Growth and Development Summit identified the need to develop an agricultural strategy which would give strategic direction in the effective implementation of agriculture in the District. Umzinyathi District Municipality, through the assistance of Department of Economic Development (Gijima KZN LED initiative) employed the Services of a Consultant to develop the strategy. The Umzinyathi District Agricultural Strategy was adopted by Council in December 2008. The implementation of the strategy will take place during 2009/10 financial year since there was no budget available for its implementation during 2008/09.

- **Northern Region Soya bean initiative**

In September 2008, Umzinyathi District Municipality received R 2 million funding from the Department of Co-operative Government and Traditional Affairs as part of the Corridor Development programme to implement the Soya Bean programme. The intention of the programme was to link the Soya production to the bio-fuel initiative as proposed in the Economic Themes study conducted in 2007 by the Research Renaissance and other studies done within the District. The project was piloted in Endumeni and Nquthu Local Municipalities with 400 hectares being planted. A total number of 422 beneficiaries were identified for this initiative. The input costs for the project amounted to R3,564,424.25 which included planting material, ploughing and actual planting.

The harvesting / production analysis in both farms is as follows:

Co-operative	No. of hectors harvested	Tons	Profit in Rands
Mdlenevile Soya Project (Nquthu Municipality)	128ha	20tans@ R3000.00 per tan	R60 000
Khululeka (Endumeni Municipality)	100ha	213 tans@ R3182 per tan	R677 766.00

## **Profit analysis**

UMdlenevini Soya bean programme in Nquthu made a loss of 172ha due to the following reasons:

- Problems were experienced during the harvesting period which included the level of the ground which was inhibiting the use of the available machinery;
- Input cost were higher than anticipated due to changing prices from month to month;
- Shortage of crop management skills;
- Insufficient availability of suitable equipment which led to procurement of services; and
- The initial plan was to engage the community to use their tractors for ploughing, however due to time constraints and insufficient tractors, the municipality had to procure the services, as a result, the planting period took a little longer than anticipated.

- **Msinga Agri-business**

Msinga Agri-business project is an initiative which was funded by Gijima KZN under the Local Competitiveness Fund implementation grant. Due to the fact that Gijima KZN requires that the applicant co-funds 30 % of the total cost of the project, Umzinyathi District Municipality assisted Msinga Trading Enterprise, the project beneficiaries, to source funds from Department of Co-operative Government and Traditional Affairs under the auspices of the Corridor Development Programme. The project was awarded an amount of R 1,300,000.00.

The project entails the production of vegetables such as tomatoes, cucumbers, chillies etc. for commercial purposes that is the warehousing, marketing and selling thereof to identified markets within and outside the Province. Planting is done in tunnels which were funded by the Department of Agriculture and Environmental Affairs. Through this initiative, a total number of 13 jobs have been created (i.e. 13 locals of which 9 are females and 04 are males). It is envisaged that more temporary jobs will be created during construction. It is anticipated that during 2009/10 financial year, the construction phase will commence.

## **2.2.2 TOURISM RELATED INTERVENTIONS**

- **District wide Tourism signage project**

The District wide Signage initiative was funded through the Corridor Development programme by the Department of Local Government and Traditional Affairs. The aim of the project was to address the shortage and poor state of tourism signage in the District which was a shortfall identified by Tourism stakeholders as having a negative impact in the Tourism sector in the District. The total amount of funds injected into this initiative was R 602 384.44. Implementation of this initiative has had a positive impact in the Tourism sector.

In terms of job creation, 04 temporary jobs were created during the implementation of the project and the project was successfully completed.

- **Kwakopi curio shop**

The Kwakopi curio shop initiative was funded by the Department of Co-operative Government and Traditional Affairs as part of the Corridor Development programme in the 2007/08 financial year, however most of the activities were undertaken and finalised in the 2008/09. The project entailed the extension of the curio shop at Kwakopi in order to accommodate local crafters and also create space for a sundeck where tourists would enjoy refreshments and the view of Msinga.

The impact of this project cannot be fully gauged at the point; however, 20 temporary jobs were created during the construction phase. It is also hoped that since the crafters have a formalised place of trade, there will be more exposure of their products to their target market, which includes domestic and international tourists. Furthermore, this intervention will be aligned to other provincial interventions such as the proposed craft hub in Durban, which will be fed by our satellite hubs. It is envisaged that the curio shop will also serve the purpose of a satellite hub for Msinga Local Municipality.

- **Craft commercialisation initiative**

The objective of the project is to create employment opportunities for local crafters in the craft industry. This will be achieved by capacitating crafters with technical and business skills, ensuring that they have all the necessary registration documentation required for trading and assisting the group of crafters in identifying local and international markets and marketing their products.

The initiative has had a positive impact in the target group. This is evident in the progress that has been noted since the inception of the programme. The programme commenced in October 2008 and mentorship is ongoing. The group is already involved in some domestic craft exhibitions shows (NEPAD exhibition and through the assistance of the Department of Economic Development they have exhibited internationally).

### **2.2.3 LOCAL ECONOMIC DEVELOPMENT RELATED INTERVENTIONS**

- **LED MAYORAL PROJECTS**

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

UMzinyathi District Municipality is one of the Municipalities with the highest poverty rate sitting at 68%, and the poverty gap between poor people and the rich is increasing at an alarming rate. In addressing the immediate need of poverty alleviation, the Municipality came up with a concept of LED Mayoral Projects. The LED Mayoral projects are implemented on an annual basis with the aim of promoting the establishment of small enterprises in order to combat the high levels of poverty in the District, thus ensuring an improvement of the livelihoods of the people of the district. In the 2008/2009 financial year, the following project categories were considered for funding under the auspices of the LED Mayoral projects;

<b>No</b>	<b>Project category</b>	<b>Number of groups supported</b>	<b>Total expenditure</b>
1	Community garden	30	R 400 000.00
2	Sewing	20	R 337 974.56
3	Catering	16	R 139 300.00
4	Livestock farming (poultry farming- 04 groups) Goat farming – 02 groups)	06	R 137 923.30
5	Gardening services	14	R 41 300.0
6	Marquee and chair hiring service	11	R 156 250.00
7	Car wash service	04	R 12 000.00
8.	Performing arts (Some of the groups received traditional attire while others were awarded musical instruments)	13	R 227 477.45
9	Craft	02	R 29 835.00
10	Carpentry & welding	2	R 80 997.35
<b>Total</b>			<b>1,563,057.66</b>

- **Contractor incubator project**

The main objective of the project is to establish a facility which will service emerging contractors, particularly women in construction by providing them with training and the necessary mentorship. Funds to undertake this initiative were received from the Department of Local Government and Traditional Affairs through the Corridor Development programme.

UMzinyathi District Municipality received R 6, 14 million to establish a construction incubator in Umzinyathi. A first tranche of R 2, 640 000.00 was transferred in the second quarter of the 2008/2009 financial year. The funding will be utilised for project activities which include the renovation of space within the municipal building which will be utilised as the construction incubator, the procurement of furniture and office equipment for the incubator and to cover training costs for the 30 women contractors who are part of the programme.

The impact that can be noted thus far is that 30 people from a previously marginalised group (women) have been afforded an opportunity to upgrade themselves and also to be actively involved in the mainstream economy of our District. As part of the programme, a number of small scale infrastructure projects will be set aside by the Municipality and preference will be given to these contractors in the awarding of these projects. Moreover, 09 temporary jobs have been created during the renovation of the office space for the incubator.

- **LED PROJECTS WHICH WERE PLANNED FOR IMPLEMENTATION DURING 2008/09**

The LED Strategy which was completed during 2008/09 financial year provided the municipality with initiatives to optimise opportunities in areas where the district has competitive advantage. The strategy was instituted to provide facilitation for partnership development and project packaging to support specific initiatives and also to consolidate the initiatives into structured, practical and implementable initiatives. Some of the initiatives identified as part of the LED strategy could not be implemented during 2008/09 financial year due financial limitations, and these projects are as follows:

Project Name	Project Objective	Key Performance Indicator	Performance Target (2008/09)	Performance Target (2009/10)
Land Reform Irrigated Maize and Milling Supply	To develop a maize supply agreement between the land reform beneficiaries and the miller.	Developed an agreement between the land reform beneficiaries and the miller.	Agreement between the land reform beneficiaries and the miller not in place by 30 June 2009.	To ensure that an agreement between the land reform beneficiaries and the miller is developed and signed by 30 June 2010.
<b>Reason for a variance:</b> The municipality opted to implement the Soya Bean programme first as a pilot then maize milling. To date, Soya has been harvested and desired results were not realized. Maize milling programme will be looked into during the last quarter of the financial year and beyond, and also the agreement be developed.				
Dairy Empowerment Initiative	To facilitate the strengthening of the dairy and dairy processing sector in the Endumeni local municipal area, particularly the establishment of small scale black dairy producers in partnership with Orange Grove Dairies, existing dairy suppliers and other stakeholders in the dairy and dairy processing sector.	Facilitation commenced between dairy processing sector and small scale black dairy producers in partnership with Orange Grove Dairies.	Facilitation had not commenced between dairy processing sector and small scale black dairy producers in partnership with Orange Grove Dairies by 30 June 2009	Facilitation to have commenced between dairy processing sector and small scale black dairy producers in partnership with Orange Grove Dairies by 30 June 2010



**Reason for a Variance:** Challenges were experienced to commence with the facilitation between dairy processing sector and small scale black dairy producers due to delays in completing the Agricultural Strategy and the Agricultural Forum was not in place. To date, Council has approved the Agricultural Strategy and the forum is also in place.

<b>Project Name</b>	<b>Project Objective</b>	<b>Key Performance Indicator</b>	<b>Performance Target (2008/09)</b>	<b>Performance Target (2009/10)</b>
Endumeni Meat Production and Processing	To consolidate the meat processing value chain in Dundee, through a BEE partnership.	Consolidated partnership for processing value chain in place	Consolidated partnership for processing value chain not in place by 30 June 2009	Consolidated partnership for processing value chain in place by 30 June 2010

**Reason for a Variance:** The LED strategy was only approved towards the end of the financial year, hence most the programmes could not be implemented. To date, the LED strategy has been approved, and most the programmes are under implementation.

Low Technology SMME coal mining initiative	To mine an un-exploited coal resource through “hand-got” extraction as a means of creating employment, revenue and skills transfer to an emerging enterprise.	Identification of potential partners and all players such as the land owners and potential mining right owners.	Potential partners have not been identified and all players such as the land owners and potential mining right owners will need to be identified.	Identification of potential partners and all players such as the land owners and potential mining right owners by 30 June 2010.
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**Reason for a Variance:** The LED strategy was only approved towards the end of the financial year, hence most the programmes could not be implemented. To date, the LED strategy has been approved, and most the programmes are under implementation.

Umvoti Charcoal Processing Plant	To support the emerging local charcoal producers and other related emerging/local timber sector to benefit from Mondi forest timber waste operations.	Identification of partners and to have their commitment to the process	Partners have been identified by 30 June 2009	To have specific job creation potential finalized that will definitely secure sustained production, income and employment on the farm by 30 June 2010,
<b>Project Name</b>	<b>Project Objective</b>	<b>Key Performance Indicator</b>	<b>Performance Target (2008/09)</b>	<b>Performance Target (2009/10)</b>
Mill processor Land Reform –Miller Partnership	To establish new black maize producers on land reform land and to provide equity ownership in the mill to create jobs and promote BEE and industry transformation.	Submission of a Miller and the Land Reform CPAs have formed a partnership and submitted a LCF Gijima Competitiveness Action Plan Application.	Miller and the Land Reform CPAs have formed a partnership and submitted a LCF Gijima Competitiveness Action Plan Application.	To have specific job creation potential finalized that will definitely secure sustained production, income and employment on the farm by 30 June 2010,
<b>Reason for a Variance:</b> The LED strategy was only approved towards the end of the financial year, hence most the programmes could not be implemented. To date, the LED strategy has been approved, and most the programmes are under implementation.				

## **2.3 KPA 3: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

### **2.3.1 COUNCIL**

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

### **2.3.2 POLITICAL BEARERS**

#### **(1) Mayor**

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

#### **(2) Speaker**

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

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

### **2.3.3 POLICIES**

The Municipality managed to prepare and adopt policies during 2008/09 financial year to enable the execution of duties effectively, the policies which were put in place are as follows:

<b>No</b>	<b>Name of the Policy</b>
1	Budget Policy
2	Transfer and Budget funds policy
3	Banking and Investment
4	Asset and Management
5	Fleet Management
6	Supply Chain Management
7	Grants and Donations
8	Indigent and Support
9	Land and Asset Disposal
10	Petty Cash
11	Tariffs
12	Credit card
13	Treatment and Valuation of Inventory
14	Risk Management
15	Financial Regulations
16	Information Technology and Security
17	Information Technology Strategy
18	Information Technology Disaster Recovery Plan
19	Credit control
20	Cell phone
21	Bursary

#### **2.3.4 EMPLOYMENT EQUITY PLAN**

In accordance with the Employment Equity Act (No 55 of 1998, the municipality reviewed and implemented the 2008/09 Employment Equity Plan as required by the Employment Equity Act, the plan seeks to address the numerical goals in the terms of demographics within the municipality. Challenges were experienced during the implementation of the plan as there were no clear set numerical goals to be achieved, though 20 employees were employed. In addressing challenges relating to enhancing demographics, the municipality has set numerical goals to be achieved but they can only realized during 2010/11 financial year due to various processes to be adhered to.

### **2.3.5 WORKPLACE SKILLS PLAN**

In accordance with the Skills Development Act and Skills Levy Act, municipalities have to prepare and review the Workplace Skills Development Plan. During 2008/09, the municipality reviewed and implemented the Workplace Skills Development Plan as required by the said Act. The plan seeks to address employee's skills development, scarce skills and also skills audit of the municipality.

The municipality is registered with the Local Government Sector Education and Training Authority (LGSETA), and skills development relating to all levels of employees functions have been undertaken and integrated into the plan. During the year under review, 52 employees received different types of training as identified in the skills audit which forms part of the Workplace Skills Development Plan. National standardized skills audit is in the process of being undertaken by the Department of Co-operative Governance and Traditional Affairs to determine training and development needs which would assist the employees in terms of personal development

### **2.3.6 INTERGOVERNMENTAL RELATIONS STRUCTURES**

The Intergovernmental Relations Framework Act No 13 of 2005 stipulates that there must be a district Intergovernmental forum to promote and facilitate intergovernmental relations between the district and local municipalities within the district. Section 25 (1) of the legislation further indicates that:

A district intergovernmental forum consists of:

- a) the mayor of the district municipality;
- b) the mayors of the local municipalities in the district or, if a local municipality does not have a mayor, a councillor designated by the municipality; and
- c) the administrator of any of those municipalities if the municipality is subject to an intervention in terms of section 139 of the constitution.

In terms of Section 26 (1), the functions to be performed by the forum as stipulated in the legislation are as follows:

- a) draft national and provincial legislation relating to matters affecting local government interests in the district;
- b) the implementation of national and provincial policy and legislation with respect to such matters in the district;
- c) matters arising in the Premier's intergovernmental forum affecting the district;
- d) mutual support in terms of section 88 of the Municipal Structures Act (No 177 of 1998);
- e) the provision of services in the district;
- f) coherent planning and development in the district;
- g) the co-ordination and alignment of the strategic and performance plans and priorities, objectives, strategies of the municipalities in the district;
- h) any other matters of strategic importance which affect the interests of the municipalities in the district.

## **(1) Umzinyathi District Coordinating Forum**

Umzinyathi District Municipality has established the intergovernmental forum as required by the said Act, and it is called Umzinyathi District Coordinating Forum. On the 30 November 2007, the district family of municipalities signed the intergovernmental relations protocol, rules and procedures. The objective of the forum is to promote and facilitate intergovernmental relations and cooperative government between the district and local municipalities.

A technical support structure has also been established which serves as technical support to the District Coordinating Forum and implement their resolutions. The members of the technical support structure are the Municipal Managers of the district family of municipalities, or officials designated by them.

## **(2) Other IGR Structures**

### **i. IDP Representative Forum**

Umzinyathi District Municipality also established the IDP Representatives Forum. The purpose of the forum is that it serves as a platform where the district family of municipalities meet with the sector departments, private organisations, business, NGO's and CBO's to discuss developmental issues that affect the district family.

### **ii. Planning and Development Forum**

Umzinyathi District Municipality also established the Planning and Development Forum, the purpose of the forum is to co-ordinate planning and development within Umzinyathi District by ensuring improved and continued communication amongst the various planning sectors, and also to ensure that planning and development within the District is undertaken a holistic way and that it takes place within the framework of all Municipalities' Integrated Development Plans.

The membership of the forum comprises of officials from the District and local municipalities under following components;

- IDP Managers
- Town Planners
- GIS Officers, and,

Representatives from the Department of Local Government and Traditional Affairs are also members but other government departments attend on invitation.

### **iii. Disaster Advisory Forum**

Umzinyathi District Municipality established the Disaster Advisory Forum. The purpose of the forum is to implement, monitor and co-ordinate all disaster management related issues within Umzinyathi District by ensuring improved and continued communication. The forum consists of representatives from the district and local municipalities, SAPS, Traffic, emergency services etc.

### **iv. District Communicators Forum**

Umzinyathi District Municipality also established the District Communicators Forum. The functions of the forum include but are not limited to the following:

- To coordinate the sharing of information pertaining to all spheres of government;
- To coordinate and organise a calendar of events for the district to ensure that these activities are streamlined across the district to avoid duplication and waste of resources;
- To provide support to local municipalities with regard to development of communication strategies.

The District Communicators Forum consist of the District head of communications and communicators of the local municipalities, as well as representatives from the sector departments

### **v. Cross border alignment meetings**

Umzinyathi District Municipality will also be arranging meetings with cross border district municipalities to align and integrate issues of functional areas on the IDP and Spatial development framework. It will also assist the municipalities to align development issues in an efficient, effective and sustainable manner especially where there are shared and interdependent functional areas across the district.

## **2.3.7 AUDIT COMMITTEE**

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

The broad objectives of the committee are as follows: -

- Maintaining oversight responsibilities of all financial and performance reporting;
- Seeking reasonable assurance that the operations of the Municipality are conducted efficiently and effectively;

- Seeking reasonable assurance that the Council has developed and complies with its policies, plans, procedures and internal controls.
- Seeking assurance that the Council complies with relevant legislation, regulations and professional pronouncements;

### **2.3.8 INTERNAL AUDITORS**

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

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

### **2.3.9 UMZINYATHI PROJECT EXCELLENCE**

As part of ensuring that the municipality performs its developmental mandate accordingly, the project excellence initiative was developed with more focus on enhancing the municipal institutional development and transformation within the municipality as this Key Performance Area serves as a base in ensuring that the municipality performs successfully in other areas.

The Umzinyathi Project Excellence seeks to promote leadership and management growth. The action plan was then developed to assist the municipality in enhancing its institutional development. The activities to be performed are aligned to specific HOD's and Middle Managers and are time bound.

## **2.4 KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

### **2.4.1 AUTHORITY MAKING MODEL**

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

- Council
- Executive Committee
- Council Committees.



## 2.4.2 STAFF COMPLEMENT

During 2008/09 financial year, the Municipality approved the organizational structure aligned to the IDP in order to improve its operational capacity. The revised structure contributed positively to the organization in terms of service delivery. At present, the Municipality has a staff complement of 64 employees as opposed to 62 employees during 2007/08 financial year. The approved structure of the municipality has 78 posts of which 14 are currently vacant and are filled as and when a need arises.

## 2.4.3 OCCUPATION AND GENDER EQUITY ANALYSIS

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

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	04								4
Middle Management	10					01			11
Semi skilled	09			1	24		02	03	39
Elementary Occupation	05				05				10
<b>Grand Total</b>	<b>28</b>			<b>01</b>	<b>29</b>	<b>01</b>	<b>02</b>	<b>03</b>	<b>64</b>

## **2.5 COMMUNITY DEVELOPMENT PROGRAMMES**

During 2008/09, the municipality implemented community development interventions which contributed significantly to the social development of the district. In ensuring that social development programmes are coordinated and integrated, the municipality has increased the community development unit. These interventions include youth development, HIV/Aids, disability programmes etc. The targets which were managed to be achieved by the municipality during the year under review are highlighted below:

### **2.6.1 Youth Programmes**

South Africa is changing drastically due to ever improving of technology, and this demands strong young people, highly educated people and strong leaders who will take care of the inhabitants and impact positively on our economy. In order to address strategic issues pertaining to the youth, the municipality organised a youth summit to identify and address youth challenges. As part of the outcome of the summit, resolutions were developed but they are not limited to the following:

- **YOUTH, UNEMPLOYMENT AND POVERTY**

#### **Challenges**

- Lack of opportunities (urban vs rural) e.g. industries creating job opportunities based in urban areas;
- Lack of resources e.g. financial (cannot access capital from banks to start businesses), marginalization of youth to commercialize land and infrastructure; etc
- Lack of adequate education resources;

#### **Strategies to overcome challenges**

- More equitable allocation of resources (urban vs rural);
- Providing information centres;
- Financial support;

Umzinyathi District Municipality will be implementing these strategies during 2009/10 financial year.

### **2.6.2 People Living with Disability**

During the year under review, Umzinyathi District Municipality worked closely with the Department of Education in assisting the building of special schools for people living with disability. Through this partnership, the following achievements were realized:

- Establishment of Disability Desk in all Municipalities;
- All Municipalities are accessible to people living with disabilities,
- The Umzinyathi District Municipality works with The Department of Social Development, Education, Health & Office on the status of disable person in the province in conceptualizing programmes that can be implemented jointly

Umzinyathi District Municipality is committed to developing programmes targeting people living with disability and implementation of some of these programmes will commence during 2009/10 financial year.

### **2.6.3 HIV/AIDS Strategy**

HIV and AIDS is one of the serious threats that face the human kind in the 21<sup>st</sup> century. This disease has a potential of reversing all developmental gains made by the human kind. The manner the pandemic is unfolding; has rendered the normal and traditional ways of health interventions ineffective. The increase in the spread of HIV infections has created new challenges for government institutions especially local government.

Local government structures are expected to develop and implement HIV/Aids policies and strategies related to social, economic, developmental, cultural, human rights and health issues affecting communities.

In response to these realities, the UMzinyathi District Municipality working with the multi-sectoral Local AIDS Council (LAC) convened a two day workshop on the 19 – 20 November 2008 that brought together different stakeholders involved in the fight against the spread and seeking mitigation of the impact of HIV and AIDS within its jurisdiction.

The main objective of the workshop was to develop a broad framework in the form of District AIDS strategy to guide all those that are involved in the fight against the disease within the municipal jurisdiction. The first draft of the HIV/Aids strategy has been developed and will be submitted to Council for adoption. The implementation of the strategy will also take place during 2009/10 financial year.

## **2.6 KPA 5: DISASTER MANAGEMENT**

### **2.6.1 Status of the Disaster Management Centre**

In August 2003, Umzinyathi District Municipality, after consultation with the local municipalities established a disaster management centre which operates in a partnership with a private agency, Rural Metro Emergency Services.

### **2.6.2 Disaster Management Risk Advisory Forum**

Umzinyathi District Disaster Management Risk Advisory Forum was established and officially launched on the 07 December 2004. Representatives of this forum constitute the Local Municipalities, Traditional leaders, Department of Social Welfare and Development, EMRS and Hospitals, Education, S APS, SANDF, RTI, Eskom, DWAF, Traffic Department, Dundee Farmers Association, Department of Agriculture, Umzinyathi Farmers Union, Rural Metro Emergence Services and KZN: Provincial Disaster Management Center.

### **2.6.3 Disaster Management Centre Capacity**

The Disaster Management Centre has the following personnel:

- Head: Disaster Management Centre;
- Assistant: Disaster Management Centre;
- Chief: Fire officer;
- Station Fire officer; and
- Disaster Management Centre Operators (6).

### **2.6.4 Status of the Disaster Management Plan**

During July 2008, the municipality appointed Disaster Management Solutions (DMS) to compile a district wide Disaster Management Plan. The Integrated disaster workshops were conducted for members of the District Disaster Management Risk Advisory Forum, CDW's, Councillors, other role players including the community. The following has been developed as part of the plan: risk assessment, risk reduction, mutual aid agreements,

gap analysis, communication, and alignment of the plan to the IDP and contingency plans.

On the 12 February 2009, the Disaster Management Plan was approved by the District Disaster Management Risk Advisory Forum, and on the 26 March 2009, the plan was adopted Council.

**2.6.5 Status of readiness to deal with a disaster including financial capabilities**

The Disaster Management guidelines have been developed and they provide prevention and mitigation strategies. Provision was made in the operational budget for emergency assistance when needed.

**2.6.6 Results of Disaster Risk Assessments undertaken**

Hereunder are the outcomes of the Disaster Risk Assessment which was undertaken as part of the Disaster Management Plan, they are not limited to the following priorities:

Priority	Hazard	Number of Votes from 12
1	Fire – Shack fires (4) Structural Fires Veld Fires Plantation Fires	9
2	HIV/AIDS and STD's	7
3	Water Shortage	6
4	Water Borne Diseases (Cholera)	6
5	Lightning Strikes	5
6	Water Pollution (Rivers)	5
7	Road Accidents	5

**2.6.7 Disasters and disaster-related incidents that occurred during 2008/09,**

A total of 1359 fire incidents, 68 rescue incidents, 02 floods incidents, and 01 windstorm incident were reported to Umzinyathi District Municipality District Disaster Management Centre and were attended to. The total value of assistance provided to victims during these incidents was R 951, 830. 00.

- **Best Practice / Achievements / Successes**

During 2008/09 financial year, Umzinyathi District Municipality managed to upgrade the Disaster Management Centre to equip the centre with latest technology of dealing with disaster incidents effectively. 10 000 brochures written in both English and Isizulu were distributed to the entire district community to create a culture of public preparedness. Umzinyathi District Municipality also conducted two disaster awareness campaigns in Nquthu and Msinga to promote disaster awareness in the community.

## **CHAPTER 3: FINANCIAL PERFORMANCE**

### **3.1 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UMZINYATHI DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Introduction**

1. I have audited the accompanying financial statements of Umzinyathi 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 the following pages

##### **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 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 Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umzinyathi 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 Umzinyathi District Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Standards of GRAP and in the manner required by the MFMA.

### **Other matters**

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

### **Material inconsistencies in information included in the annual report**

9. 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.

### **Management Comment**

- Draft annual report will be forwarded to Auditor General on the 30 January 2010 after it has been tabled before Council.

### **Unaudited supplementary schedules**

10. The municipality provided supplementary information in Appendix A to G 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 48 to 55 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.

**Management Comment**

- Noted no action required.

**Non-compliance with applicable legislation  
Municipal Finance Management Act**

11. Goods and services were procured from suppliers not listed on the municipality's supplier database, contrary to section 112(1)(f) of the MFMA.

**Management Comment**

- A verification will be done to ensure that suppliers on the financial system are on the supplier database system (DIMS).
  - An annual advertisement will be issued inviting service providers to register on Umzinyathi supplier database.
  - The tender documents will include supplier data base forms and will be captured on the database system prior to evaluation.
12. The joint venture's financial statements are not annexed to the municipality's financial statements, contrary to the requirements of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007. The reason for this is that there is a backlog with regards to the financial statements preparation of the municipal entity (Uthukela Water).

**Management Comment**

- Consolidated financial statements will be prepared and submitted to Auditor General for 2009/2010 financial year.

**Governance framework**

13. 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 key governance responsibilities addressed below:

**Key governance responsibilities**

14. 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
	<b>Clear trail of supporting documentation that is easily available and provided in</b>		

No.	Matter	Y	N
<b>a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	
<b>Quality of financial statements and related management information</b>			
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"/>
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 126 of the MFMA].	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		<input type="checkbox"/>
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		<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 section 79 of the MFMA.	<input type="checkbox"/>	

No.	Matter	Y	N
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	<input type="checkbox"/>	
14.	SCOPA/Oversight resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
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 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"/>	

15. Governance policies and practices operate effectively and appropriately. The municipality has substantially complied with the key governance responsibilities. Weaknesses with respect to the risk management, audit committee, internal audit and quality of financial statements need to be addressed to improve adherence to the governance framework.

#### **Management Comment**

- Detailed action plan has been developed to implement governance shortfall identified by the Auditor General.

#### **Investigation**

16. With reference to note 36 to the financial statements relating to irregular expenditure, an investigation is being conducted by an independent consulting firm on request of the municipality. There are no further details available as the investigation is still in progress.

#### **Management Comment**

- A progress or final report will be presented once the investigation is finalised.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Report on performance information**

17. I have reviewed the performance information as set out on pages XX to XX.

#### **The accounting officer's responsibility for the performance information**

18. 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**

19. 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.
20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
21. 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**

#### **Reporting of performance information**

22. The performance report prepared by the municipality did not comply with the requirements of section 46(1) of the MSA as the following information was not reflected:-

- The performance of each external service provider
- The comparison of the performance targets as recorded in the Integrated Development Plan and the current year's performance report
- The comparison of the prior year performance targets and the current year's actual
- Measures to be taken to improve performance

#### **Management Response**

- Performance management system will be reviewed to address findings of the Auditor General for 2009/2010 financial year.

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

23. The performance audit committee did not review the municipality's performance management system and make recommendations in this regard to the council of the municipality.

#### **Management Response**

- The audit committee will be responsible for the review of the performance management system and making recommendations to Council.

### **Internal auditing of performance measurements**

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

### **Management Response**

- The internal auditors will be responsible for the review of the performance measurements on quarterly basis and reporting to the Municipal Manager and Audit committee.

### **APPRECIATION**

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

Pietermaritzburg

30 November 2009



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*Auditing to build public confidence*

## **3.2 FINANCIAL STATEMENTS**

Umzinyathi District Municipality prepared and submitted the 2008/09 annual financial statements to the Auditor General. The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the 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). The details of the financial statements for the year under review are summaries as follows:

**UMZINYATHI UMASIPALA WESIFUNDA  
UMZINYATHI DISTRICT MUNICIPALITY**



**FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2009**

**UMZINYATHI DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

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**UMZINYATHI DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**GENERAL INFORMATION**

Speaker	Clr. S.R. Nyamane
Mayor	Clr. M.S. Yengwa
Deputy Mayor	Clr. T.H. Mchunu
Exco Members	Clr. F.S. Mkhize Clr. B Brown Clr. A.M. Shaikh
Council Members	Clr. P M Bislam Clr. X.S. Xaba Clr. B.H. Ndlovu Clr. M. I. Sithole Clr. L. D. Ngubane Clr. I. Bedassi Clr. A.S. Shezi Clr. S. M. Kunene Clr. F J Sikhakhane Clr T. E. Malunga Clr. T.M.B. Zulu Clr. F.I. Mdlalose Clr. N.P. Zulu Clr. N. G. Sithebe Clr.P G Mabalisa Clr. A. M. Mtshali Clr. P.M.S. Ngubane

**Grading of Municipality**

Grade 3 (in terms of Government Notice R1224 dated 1 December 2006)

**Auditors**

The Auditor-General  
Private Bag X9034  
PIETERMARITZBURG  
3200

**UMZINYATHI DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

**GENERAL INFORMATION** (continued)

**Bankers**

ABSA Bank Limited, Current Account, Dundee (Operating account)

**Registered office**

Princess Magogo Building  
39 Victoria Street  
DUNDEE  
3000

P O Box 1965  
DUNDEE  
3000

Tel: (034) 219 1500

Fax: (034) 218 1940

E-mail: [registry@umzinyathi.gov.za](mailto:registry@umzinyathi.gov.za)

**Municipal Manager**

Sipho N Dubazana  
BA Hons, MBA

**Chief Financial Officer**

Bongani B. Mdletshe  
FIAC , SAIPA, LIMFO

**STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY**

**UMZINYATHI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2009**

The Umzinyathi District Municipality is situated 41 Victoria Street, Dundee is a category C Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these financial statements, which are set out on page 1 to 55 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of the Public Office Bearers and the Minister of Provincial and Local Government's determination in accordance with this act.

.....  
**Mr S.N. Dubazana**  
**Municipal Manager**

**27 August 2009**  
**Date**

## UMZINYATHI DISTRICT MUNICIPALITY

### ACCOUNTING POLICIES

for the year ended 30 June 2009

#### 1 BASIS OF ACCOUNTING

##### 1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the 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).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
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 Associates
GRAP 8	Investments 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 Properties
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

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

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4 EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

**2 PROPERTY, PLANT AND EQUIPMENT**

**2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, 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 capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. 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 is 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 and equipment, they are accounted for as property, plant and equipment.

**UMZINYATHI DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2009**

**2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items 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.

**2.4 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:

	<u>Years</u>	<i>Other</i>	<u>Years</u>
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-80	Other vehicles	5
Water	15-100	Office equipment	3-7
Sewerage	15-60	Furniture and fittings	7-10
		Watercraft	15
<b>Community</b>			
Buildings	30	Bins and containers	5
Recreational Facilities	20-30	Specialised plant and equipment	10-15
Security	5	Other items of plant and equipment	2-5
		Landfill sites	15

The residual value, the useful life of an asset and the depreciation method is reviewed annually 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.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

**2.5 DERECOGNITION**

Items of Property, plant and equipment are 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.

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**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

**3 INTANGIBLE ASSETS**

**3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

Where an intangible asset 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.

**3.2 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.

**3.3 AMORTISATION AND IMPAIRMENT**

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:

Computer software	5 years
-------------------	---------

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.

The municipality tests intangible assets with finite useful lives 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 an intangible asset 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.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009 , with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118..

**UMZINYATHI DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2009**

**3.4 DERECOGNITION**

Intangible assets are 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**4 INVESTMENT PROPERTY**

**4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) 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 operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired 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.

**4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**5 NON-CURRENT ASSETS HELD FOR SALE**

**5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.



A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

**6 FINANCIAL INSTRUMENTS**

**6.1. INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**6.2. SUBSEQUENT MEASUREMENT**

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

**6.3. INVESTMENTS**

Investments, which include listed, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**6.4. UTHUKELA WATER INVESTMENT**

Investment at Uthukela Water Pty Ltd has been raised using the historical cost price value of the water services assets purchased and transferred to Uthukela Water from 1 July 2004 to 30 June 2009 by Umzinyathi District Municipality. The value of Investment will be evaluated using the Audited annual financial statements of Uthukela Water Pty Ltd. A Provision for Uthukela Water Investment write off has been raised due to the fact that the value of the investment could not be determined as a result of unavailability of up to date audited financial statements of

**6.5. TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **6.6. FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

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## **UMZINYATHI DISTRICT MUNICIPALITY**

### **ACCOUNTING POLICIES**

**for the year ended 30 June 2009**

#### **6.7. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **6.8. INVENTORIES**

##### **Initial Recognition**

Inventories are initially recognised at costs. Costs generally refer to the purchase price, plus tax, transport and any other costs of bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced the costs include the costs of labour, material and overheads during the manufacturing process.

##### **Subsequent Measurement**

Consumer stores, maintenance materials and water stock are valued at the lower of costs and net realisable value. In general, the basis of determining cost is the weighted average method.

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

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

## **6.9. INVESTMENT IN JOINT VENTURE**

An investment in a joint venture is carried at costs less any accumulated impairment.

The municipality's share of profit or loss, resulting from operations of the joint venture, is recognised on accrual basis and is capitalised to the costs of investment.

## **7 UNAUTHORISED EXPENDITURE**

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

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### **UMZINYATHI DISTRICT MUNICIPALITY ACCOUNTING POLICIES for the year ended 30 June 2009**

## **8 IRREGULAR EXPENDITURE**

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

## **9 FRUITLESS AND WASTEFUL EXPENDITURE**

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

## **10 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a)

The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business 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

(b) The municipality 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.

## 11 TRANSLATION OF FOREIGN CURRENCY

The transaction in the foreign currency are initially recorded at the prevailing exchange rate on the dates of the transaction. Monetary assets and liabilities in such foreign transaction are translated at the rates prevailing at the reporting date.

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### UMZINYATHI DISTRICT MUNICIPALITY ACCOUNTING POLICIES for the year ended 30 June 2009

## 12 COMPARATIVE INFORMATION

### Current Year Comparatives

Budgeted amount have been included in an annexure to these financial statements for current financial year only.

### Prior Year Comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are restated. The nature and reason for the reclassification is disclosed. When there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparative is restated accordingly.

## 13 LONG SERVICE AWARD

Provision for the long service awards represents the present value of the estimated future cash outflows to be made by the municipality resulting from employee service providing up to Statement of Financial Position date. The provision comprise amounts that the municipality has present obligation to pay resulting from employees services provided up to Statetement of Finanicial Position date.

## 14 LEASES

### 14.1. MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

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

#### **14.2. MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

## **15 REVENUE**

### **15.1. REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

### **REVENUE FROM NON-EXCHANGE TRANSACTIONS**

#### **15.2.**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

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**UMZINYATHI DISTRICT MUNICIPALITY**  
**ACCOUNTING POLICIES**  
**for the year ended 30 June 2009**

**15.3. GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**16 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**17 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

#### **18 OTHER POST RETIREMENT BENEFITS**

The municipality provides post-retirement health care benefits to their retirees. The entitlement of these benefits is usually conditional on the employees remaining in service up to retirement age and the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined pension benefit plans. Actuarial gains and losses arising from experience adjustment, and changes in actuarial assumption, are charged or credited to revenue over the expected average remaining lives of the relevant employees to the extent which they exceed the 10% corridor.

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### **UMZINYATHI DISTRICT MUNICIPALITY ACCOUNTING POLICIES for the year ended 30 June 2009**

#### **19 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

**20 RESERVES**

**20.1. Capital Replacement Reserve (CRR)**

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

The amount transferred to CRR is based on the municipality's needs to finance future capital projects included in the Intergrated Development Plan.

CRR is included in Accumulated Surplus in the Statement of Financial Position . In the Prior year it was separately disclosed.

**20.2. Government Grant Reserve**



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

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

**20.3. Capitalisation Reserve**

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

**20.4. Donations and Public Contributions Reserve**

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

**UMZINYATHI DISTRICT MUNICIPALITY  
ACCOUNTING POLICIES  
for the year ended 30 June 2009**

**21 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**22 TRANSITIONAL PROVISIONS**

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board,

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38

GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

UMZINYATHI DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	Restated 2008 R
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
		63 608 879	87 182 688
Accumulated Surplus/ (Deficit)	1	57 808 879	87 182 688
Revaluation Reserve	3	5 800 000	0
<b>NON CURRENT LIABILITIES</b>			
		1 803 398	2 114 227
Long Term Liabilities	4	1 803 398	2 114 227
Non-Current Provisions			
<b>CURRENT LIABILITIES</b>			
		84 367 575	62 446 518
Provisions	10	952 323	465 991
Unspent Conditional Grant and Receipts	11	49 539 741	49 538 340
Creditors	11	33 593 435	12 221 638
Current Portion of Long-term Liabilities	4	282 076	220 549
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>149 779 852</b>	<b>151 743 433</b>
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
		81 442 665	48 045 854
Propert, Plant and Equipment	5	14 472 006	23 391 482
Investments	6	66 970 659	24 651 526
Long Term Receivables	7	0	2 846
Uthukela Water Investment	2	0	0
<b>CURRENT ASSETS</b>			
		68 337 187	103 697 580
Debtors	9	1 576 242	10 355 274
Vat	9	18 373 596	29 484 142
Other Debtors	9	0	0
Current Portion of Long-term Debtors	7	35 896	66 101
Call Investment Deposits	6	33 890 337	51 052 949
Bank Balance and Cash	21	14 461 116	12 739 114
<b>TOTAL ASSETS</b>		<b>149 779 852</b>	<b>151 743 433</b>

**UMZINYATHI DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2009**

**Restated**

	Note	Actual 2009 R	Actual 2008 R
<b>REVENUE</b>			
Rental of Facilities and equipment		308 907	304 825
Interest Earned - External Investments		11 674 225	8 916 964
Interest Earned - Outstanding Debtors		0	832
Government and Provincial grants and subsidies	22	240 827 958	145 820 647
Other		77 320	<b>379 436</b>
Public Contribution and Donations		0	0
Gains on Disposal of Property, Plant and Equipment			
<b>TOTAL REVENUE</b>		<b>252 888 410</b>	<b>155 422 704</b>
<b>EXPENDITURE</b>			
Employee Related Costs		16 721 489	12 228 320
Remuneration of Councillors		1 928 210	1 828 210
Bad Debts			
Collection Costs			
Depreciation		2 119 768	12 990 037
General expenses		74 671 057	49 415 550
Repairs and maintenance		1 320 846	855 930
Interest Paid		468 927	456 627
Contracted Services		169 931 502	75 490 719
Loss on Disposal of Property, Plant and Equipment			
<b>Total Expenditure</b>		<b>267 161 800</b>	<b>153 265 393</b>
Less: Amounts charged out		-	-
<b>Net expenditure</b>		<b>(14 273 390)</b>	<b>2 157 311</b>

UMZINYATHI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre-GRAP GAMAP Accum Funds	Pre-GRAP GAMAP Reserves	Pre-GRAP GAMAP External Loan Lease	Pre-GRAP GAMAP Internal Loan CDF	Pre-GRAP GAMAP Loans Redeemed Capital Receipt	Total Pre-GRAP GAMAP Reserve	Government Grant Reserve	Donation and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Total
	R	R	R	R	R		R	R	R	R	R
2008											
Balance at 1 July 2007	9 169 833	5 325 865	149 113	893 755	33 123 360	48 661 926				39 789 792	88 451 718
Implementation of Gamap (note 33)	-9 169 833	-5 325 865	-149 113	-893 755	-33 123 360	-48 661 926	16 222 302	22 226 924		10 212 701	0
Change in accounting policy (note 33)											0
Restated Balance	0	0	0	0	0	0	16 222 302	22 226 924	0	50 002 492	88 451 718
Surplus/(deficit) for the year										15 147 348	15 147 348
Prior Year Adjustment										-1 374 950	-1 374 950
Transfer to CRR											
Funds Utilised During the Year											
PPE purchased							-1 931 905			0	-1 931 905
Uthukela Capitalisation Reserve							1 227 858	481 002			1 708 860
PPE purchased transferred											0
Offsetting of Depreciation							-1 828 346	0		0	-1 828 346
							-2 347 315	-10 642 723			-12 990 037
<b>Balance as at 30 June 2008</b>	0	0	0	0	0	0	11 342 594	12 065 203	0	63 774 890	87 182 687
Correction of error (note 33)											0
Change in accounting policy (note 33)											0
<b>Restated Balance</b>	0	0	0	0	0	0	11 342 594	12 065 203	0	63 774 890	87 182 687
Balance at 1 July 2008							11 342 594	12 065 203		63 774 890	87 182 687
Surplus/(deficit) for the year										-14 273 389	-14 273 389
Funds Utilised During the Year										0	-4 372 736
Uthukela Capitalisation										0	0
PPE purchased							4 138 595	208 940		0	4 347 535
Revaluation of Property									5 800 000	0	5 800 000
Insurance Claim Proceeded										-0	-0
Asset transferred to LMS							-10 602 655	-4 472 563			-15 075 218
Asset Disposal											0
Offsetting of Depreciation											0
<b>Balance as at 30 June 2009</b>	0	0	0	0	0	0	2 613 933	5 693 445	5 800 000	49 501 501	63 608 879

UMZINYATHI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT

FOR THE PERIOD ENDING 30 JUNE 2009

	Note	2009 R	2008 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated by operations	17	(15 616 762)	6 131 052
Cash contributions from the Public and State		0	0
Cash Receipt From Rate Payers, Government and Other			
Cash Paid to Suppliers and Employees	18	41 843 686	9 796 618
Cash generated from /(Utilised in) Operations		26 226 925	15 927 670
Interest Received	15	11 674 225	8 917 796
Interest Paid	15	(468 927)	(456 627)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>37 432 223</b>	<b>24 388 840</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	5	(10 242 868)	(1 489 537)
Proceed on Disposal of Property, Plant and Equipment			
Increase in Uthukela Investment	2	0	0
Decrease in non Current Receivables	19	(310 830)	(1 262 191)
Increase in non-current investment	20	(25 156 522)	(51 874 291)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(35 710 219)</b>	<b>(54 626 019)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New Loans Raised / (Repaid)			
Increase in Consumer Deposits			
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>0</b>	<b>0</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	21	<b>1 722 004</b>	<b>(30 237 179)</b>
		(1 722 003)	30 237 179
Cash and Cash Equivalents at the Beginning of the Year		12 739 113	42 976 293
Cash and Cash Equivalents at the End of the Year		14 461 116	12 739 113

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2 009	2 008
	R	R
<b>1 Accumulated Surplus / (Deficit)</b>		
Donations and Public Contributions Reserve	5 693 446	11 342 594
Government Grant Reserve	2 613 933	12 065 203
Accumulated Surplus	49 501 501	63 774 892
	<u>57 808 879</u>	<u>87 182 688</u>

For more details refer to the statement of net changes in assets.

<b>2 UTHUKELA WATER INVESTEMENT</b>		
Uthukela Water Pty Ltd Investment	473 449 540	345 568 883
Provision for Uthukela Water Investment Write Off	(473 449 540)	-345 568 883
	<u>0</u>	<u>0</u>

Investment at Uthukela Water Pty Ltd has been raised using the historical costs price value of the water services assets purchased and transferred to Uthukela Water from 1 July 2004 to 30 June 2009 by Umzinyathi District Municipality . The investment value will be evaluated using the audited Annual Financial statements of Uthukela Water Pty Ltd. A provision for Uthukela Investment write off has been raised due to the fact that the actual value of investment could not be determined as a result of unavailability of up to date audited financials statements of Uthukela Water Pty Ltd.

<b>REVALUATIONS RESERVE</b>		
<b>3 Revaluation Reserve</b>	<u>5 800 000</u>	<u>-</u>

Revaluation of property were performed using Endumeni Municipality Valuation Roll which was prepared by an independent person. The original cost price was R8 000 000.00 plus revaluation of R5 800 000 resulting to R13 800 000.00

**4 LONG-TERM LIABILITIES**

DBSA Loan	2 085 473	2 334 776
	<u>2 085 473</u>	<u>2 334 776</u>
Less: Current portion of Long- Term Liabilities	282 076	220 549
	<u>0</u>	<u>-</u>
	282 076	220 549
	<u>0</u>	<u>-</u>
	<u>1 803 398</u>	<u>2 114 227</u>

(Refer to Appendix A for more detail on long-term liabilities)

**ANNUITY AND OTHER LOANS**

Bear interest at rates of between 7.5% per annum and 16.85% and will be fully redeemed in 2019.

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009 R	2 008 R
<b>5 FIXED ASSETS</b>		Restated
Fixed assets	23 391 482	36 720 328
Capital outlay during the year	10 151 035	1 489 537
Adjustments		-
Less :		
	16 950 743	1 828 346
Total fixed assets	<b>16 591 774</b>	<b>36 381 519</b>
Less : Depreciation	2 119 768	12 990 037
Net fixed assets	<b>14 472 006</b>	<b>23 391 482</b>

Fixed assets has been restated in order to comply with GRAP 17 accounting requirements.

Previously Reported

3 377 645

Restated amount

23 391 482

**Property, Plant And Equipment at 30 JUNE 2009**

	Land and Building R	Vehicles R	Office Furniture Equipment & other R	Total R
Reconciliation of Carrying Value				
<b>Carrying Value as at 1 July 2008</b>	15 080 541	2 819 522	5 491 418	23 391 481
Costs / Revaluation	19 952 475	6 184 672	10 244 372	36 381 518
Correction of Error				-
Accumulated depreciation	-4 871 933	-3 365 150	-4 752 954	-12 990 037
Acquisitions	1 415 000	1 179 880	1 756 155	4 351 035
Revaluation	5 800 000			5 800 000
Capital under Construction				
Depreciation	-385 056	-704 255	(1 030 456)	-2 119 768
Carrying value of disposal	-13 897 898	-1 179 880	(1 872 964)	-16 950 742
Costs				
Accumulated Depreciation				
Impairment Losses				
Other Movements				
<b>Carrying Value at 30 June 2009</b>	8 012 587	2 115 266	4 344 152	14 472 006
Costs	21 367 475	7 364 552	12 000 526	40 732 553
Accumulated Depreciation	-5 256 990	-4 069 405	(5 783 410)	-15 109 805
	16 110 485	3 295 146	6 217 116	25 622 748



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

## Property, Plant And Equipment continued

	Land and Building R	Vehicles R	Office Furniture Equipment & other R	Total R
Reconciliation of Carrying Value				
<b>Carrying Value as at 1 July 2007</b>	19 952 474	6 184 672	10 583 181	36 720 327
Costs	19 952 474	6 184 672	10 583 181	36 720 327
Correction of Error				-
Accumulated depreciation				-
Acquisitions		85 964	1 403 573	1 489 537
Capital under Construction				
Depreciation	-4 871 933	-3 365 150	(4 752 954)	-12 990 037
Carrying value of disposal			(1 828 346)	-1 828 346
Costs				
Accumulated Depreciation				
Impairment Losses				
Other Movements				
<b>Carrying Value at 30 June 2008</b>	15 080 541	2 905 486	5 405 454	23 391 481
Costs	19 952 474	6 270 636	11 986 754	38 209 864
Accumulated Depreciation	-4 871 933	-3 365 150	(4 752 954)	-12 990 037
	15 080 541	2 905 486	7 233 800	25 219 827

(Refer to Appendix C for more details.)

## 6 INVESTMENTS

Unlisted :

Long term deposits	<b>66 970 659</b>	24 651 526
Call deposits	<b>33 890 337</b>	51 052 949

Total investments	<b>100 860 997</b>	75 704 475
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Managements' valuation of unlisted investments.	<b>100 860 997</b>	75 704 475
---	--------------------	------------

Average gross rate of return on investments	<b>10%</b>	7%
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Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>Institution</b>		
Investec	0	-
ABSA	33 890 337	51 052 949
Nedbank	40 714 622	696 897
First National Bank	26 256 037	23 954 629
<b>Total</b>	<b>100 860 997</b>	<b>75 704 475</b>

**7 LONG TERM DEBTORS**

Car loans	0	-
Less : Provision for doubtful debts	0	-
	<u>0</u>	<u>-</u>
Bridging finance	35 896	68 946
Other loans	0	-
	<u>35 896</u>	<u>68 946</u>
Less : Short-term portion	35 896	66 101
	<u>0</u>	<u>2 846</u>

Soft loan of R700 000 granted in 1993 by the then uThukela Joint Services Board to the then Dundee Municipality for a period of 15 years at 5% interest per annum.

**8 INVENTORY**

Inventory represents consumable stores.	<u>0</u>	<u>-</u>
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Where necessary, provision is made for obsolete inventory.

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>9 DEBTORS</b>		
<b>Debtors</b>	<b>1 576 242</b>	<b>10 355 274</b>
Debtor - Interest Accrued	329 041	248 017
District Games 2009	674 177	-
General Suspense	0	-
Inter-DC Debtor Suspence	0	22 054
ISWIP Debtor Suspence	0	248 468
Premiers Office Funding	0	11 270
Debtors Control	0	23 190
Sundry Debtors Control	0	68 480
Sundry Debtors Deposits Cont	0	66 918
Sundry Debtors (Other)	0	5 801
uThukela Water Control	0	7 490 096
Supplier Deposits	0	7 325
Sundry Creditors;ISWIP Creditor	0	157 808
LGSETA : Training Grant	573 024	526 794
iNdlovu DM Distribution Debt	0	1 452 211
CMIP-Sithembile Bulk Sewer	0	26 841
<b>Other Debtors</b>	<b>0</b>	<b>0</b>
Salaries Suspense	0	-
Salary Advances Suspense	0	-
<b>Short-term portion of long-term debtors</b>	<b>35 896</b>	<b>66 101</b>
<b>Receiver of Revenue - Value Added Tax</b>	<b>18 373 596</b>	<b>29 484 142</b>
Vat Input Control	45 002 802	19 162 877
Vat Input Control:Public Works	0	709 173
Vat Output Control	(306 948)	-263 333
Vat Outp Control:CMIP Projec	0	-410 160
Vat Control	(26 322 257)	10 285 587

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>10 PROVISIONS</b>		
Leave pay	952 323	465 991
Maintenance		
(Refer to appendix F for more detail)		
	<b>952 323</b>	<b>465 991</b>

**11 CREDITORS**

	33 593 435	12 221 638
Trade Creditors and accruals	0	4 800
Deposit Clearing Account	0	656 408
Kranskop Taxi Rank - Mvoti D	0	4 754
Inter-DC Direct Deposits Sus	0	-
Insurances Suspense	12 478 667	8 850 149
Retentions Held Suspense	0	-
Unknown Deposit Suspense	0	558 283
Sureties Held Suspense	21 114 768	957 355
Accruals Suspense Account	0	-
Unclaimed Wages	0	11 903
Prepaid Income	0	-
Cash Suspense Account	0	-
LOAN ACCOUNT: KZ242(NQUTHU)	0	1 177 986

**Creditors: Unspent Conditional Grants and Receipts**

	49 539 741	49 538 418
MiG Grant	13 129 958	23 178 349
DWAF : M & E Grant	600 000	600 000
DWAF : Water Loss Management	1 871 999	5 220 000
DIMS Project	3 318	5 100
Msinga/Nyoniyezwe Sportfield	74 259	420 998
Hermannesburg Mvoti Sportfield	0	323 441
Silonjane Nquthu Sportsfield	178 185	323 441
uMvoti Sports Complex - DSRS	214 816	239 816
Fabeni Sports Stadium Suspen	18 295	43 295
Makhabeleni Sports Complex	260 323	376 150
Nondweni Sportfield Upgrade	0	16 205
Nquthu Sport Stadium	0	16 350
Umsinga Poultry Plan	104 666	
Fan Parks	0	
Grant Funding Intergovernmental	200 000	
Solid Waste Management	300 000	
Reserves: Transitional Grant	0	240 340
GRANT-EMANDLENI GRAZING CAMP	4 904	29 227
Shared Services	2 613 065	3 010 000
Reserves: General Grants :Intergrated Transport Plan	149 499	250 499
Reserves: General Grants :Finance Management Grant	97 695	601 372
Reserves: General Grants :Transformation Grant	0	197 771
Reserves: General Grants :Community Communication Initiative	0	23 781
Reserves: General Grants :Civil Protection	0	23 500
Reserves: General Grants :Tourism	37 756	40 560
Reserves: General Grants :IDP And Capacity Building	0	21 655
Reserves: General Grants :PMS Funding DBSA	0	146 400
Reserves: General Grants :Gijima	0	-46 288
Reserves: General Grants :Gijima - Inter SMME's	0	-43 746
Reserves: General Grants :Gijima - Agriculture Development Strategy	23 784	238 490
Reserves: General Grants :Gijima - Led Strategy	0	153 367
Reserves: General Grants :LGTA WSDP Review	0	-
Reserves: General Grants :LGTA Assess of Water	444 254	444 254
LED:DISTRICT TOURISM STRATEGY	0	241 251
LED:DISTRICT SIGNAGE PROJECT	99 664	318 755
LED:ENDUMENI MARKET STALLS	82 485	141 068

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2009	2008
	R	R
<b>Creditors: Unspent Conditional Grants and Receipts Cont.</b>		
LED:MANGENI WATERFALL	0	23 763
LED:KWAKOPI CURIOSHOP	0	141 877
LED:MUDEEN ARTS & CRAFT	16 811	50 073
Reserves: Municipal Support Grant	0	36 333
Reserves: CMC & Secretariat Grant	53 546	61 988
Reserves: LGTA Municipal (ICS) Grant:	997 682	1 532 934
NLDTF : Dundee Arts & Craft	1 209 905	774 744
Growth Development Summit	0	100 000
Reserves: GIS System Grant;	1 484 895	1 158 596
Reserves: Municipal Systems Improvement Grant	23 365	2 178 328
Halodi Gravel Access Road	1 342 464	-
Bhambatha Stadium;	205 044	460 752
Endumeni Rural Horse Riding;	181 293	525 503
LED Msinga Agriculture Packhouse Project	273 598	273 598
LED Msinga Stone Crushing Plan	146 598	146 598
LED Msinga Bee&Mushroom Farming	20 048	107 323
LED Nquthu Eqhude Agribusiness	29 193	29 193
Disaster Management Grant	102 160	400 000
LED Corridor Development	502 765	520 000
Development Planning IDP Capacity Building	285 387	510 000
Disaster Managemen Plan/Centre	467 132	587 548
DTLGA:WSDP 06/07	0	17 870
DTLGA:S78 06/07	700 000	700 000
DTLGA:TECH SUP 06/07	612 718	740 000
DTLGA:BACKLOG 06/07	116 548	116 548
DTLGA:ENERGY 06/07	200 000	200 000
DTLGA:CAPACITY BUILDING 06/0	4 218	98 000
DTLGA:CAPACITY IDP 2007	16 023	16 023
Greytown Bulk Water	10 334 945	-
Soya Bean Project	0	-
Contractor Incubator Project	1 530 588	-
Decommiss Nquthu Sewer	2 421 663	-
Msinga Agri-Business	1 292 351	-
CMIP Dundee Bulk Water	0	-
Massifikation of Bulk Water	1 000 000	-
Enseleni Community Hall1 Greytown	1 106 842	-
Enkamba Community Hall1 Msinga	1 146 126	-
Development of 2 Landfill Sites	1 000 000	-
Drought Relief No.3;	206 908	1 235 347
<b>12 CONSUMER DEPOSITS</b>		
There were no guarantees in lieu of deposits.	0	-
<b>13 REMUNERATION</b>		
<b>COUNCILLORS' REMUNERATION</b>		
Mayor's allowance	258 213	237 696
Deputy Mayor's allowance	79 132	70 112
Speaker's allowance	224 928	211 083
Members' allowances	1 095 069	1 040 986
Executive committee allowances	115 105	114 122
Local Authority attendance fees	28 184	19 507
Medical aid contributions	6 852	16 510
Pension fund contributions	120 726	118 194
	<b>1 928 210</b>	<b>1 828 210</b>
<b>EMPLOYEE RELATED COSTS</b>		
Employee related costs : Salaries and Wages	14 593 073	8 157 205
Employee related costs : Contribution for UIF, Pension and Medical Aid	2 128 417	1 832 135
Travel, Motor Car, Accommodation, Subsistence and other allowances		1 264 691
Housing Benefit and Allowances		423 697
Overtime Payments		90 568
Performance Bonuses		329 491
Less : Employee costs capitilised		
Less : Employee costs included in other expenses		
<b>Total Employee Related Costs</b>	<b>16 721 489</b>	<b>12 097 787</b>
There were no advances and loans issued to employees		

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>Remuneration of the Municipal Manager</b>		
<b>Total Package</b>	<b>886 890</b>	<b>711 923</b>
Structured as follows :		
Annual Remuneration	434 436	347 367
Leave Pay	0	284 817
Acting Allowance	0	
Performance Bonuses	113 379	
Car Allowance	182 549	122 400
UIF, Medical and Pension Fund	116 352	34 251
<b>Total</b>	<b>846 716</b>	<b>788 835</b>

<b>Remuneration of the Chief Financial Officer</b>		
<b>Total Package</b>	<b>771 625</b>	<b>552 300</b>
Structured as follows :		
Annual Remuneration		210 000
Leave Pay		241 841
Performance Bonuses		37 415
Car Allowance		42 486
UIF, Medical and Pension Fund		96 000
<b>Total</b>	<b>771 625</b>	<b>670 659</b>

**EXECUTIVE MANAGERMENTS' REMUNERATION**

	Manager Technical Services	Manager Corporate Services	Manager Planning and Social Dev
<b>30 June 2009</b>			
<b>Total Package</b>	<b>633 474</b>	<b>633 474</b>	<b>633 474</b>
Structured as follows :			
Annual Remuneration	388 428	275 000	390 543
Performance Bonuses	92 497	0	50 011
Leave Pay	0		
Acting Allowance	0		
Car Allowance	113 940	113 000	84 804
UIF, Medical & Pension Fund	67 003	25 059	67 022
<b>Total</b>	<b>661 868</b>	<b>413 059</b>	<b>592 379</b>

	Deputy Municipal Manager		
<b>30 June 2008</b>			
<b>Total Package</b>	<b>588 785</b>	<b>552 300</b>	<b>552 300</b>
Structured as follows			
Annual Remuneration	269 407	289 927	254 847
Performance Bonuses	45 561	42 486	
Acting Allowance	123 151		
Car Allowance	182 549	149 760	56 536
Leave Pay	62 250		
UIF, Medical & Pension Func	227 831	167 886	79 662
<b>Total</b>	<b>910 749</b>	<b>650 059</b>	<b>391 045</b>

**JUNIOR MANAGERMENTS' REMUNERATION**

Assistant Manager Communication	512 966	405 066
Asst Manager Legal	532 974	606 636
IDP/ PMS Manager	463 890	405 170
<b>Total</b>	<b>1 509 830</b>	<b>1 920 619</b>

Remuneration: Other Staff	13 854 222	8 724 564
<b>Total: Salaries, Wages and Allowances</b>	<b>18 649 700</b>	<b>14 056 530</b>

Managements' Remuneration as a percentage of total remuneration	<b>9%</b>	<b>7%</b>
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>MANAGEMENTS' PERFORMANCE BONUSES</b>		
Municipal Manager	113 379	
Dep Municipal Manager	0	45 561
Internal Auditor	0	50 000
Asst Manager: Communications	50 000	37 500
Manager: Disaster Management	0	50 000
Chief Financial Officer	0	42 486
Manager: IDP PMS	50 000	11 458
Manager: Development Planning	50 011	-
Manager: Technical Services	92 497	42 486
Legal Advisor	50 011	50 000
Total	<u>405 898</u>	<u>329 491</u>
<b>14 AUDITORS' REMUNERATION</b>		
Audit fees	<u>676 704</u>	<u>567 531</u>
<b>15 FINANCE TRANSACTIONS</b>		
Total external interest earned or paid:		
Interest earned	11 674 225	8 917 796
Interest paid	<u>468 927</u>	<u>456 627</u>
Capital charges debited to operating account:		
Interest :	468 927	456 627
Redemption :	0	219 323
	0	-
Prior year adjustment:		
	<u>468 927</u>	<u>675 949</u>

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
16 Appropriation account		
Accumulated surplus / (deficit) at the beginning of the year	63 774 890	39 789 792
Operating surplus / (deficit) for the year	(14 273 389)	2 157 311
Appropriations for the year	(0)	21 827 787
Prior year adjustments - Appropriation Movement	0	21 827 787
Capital Replacement Reserve	(0)	-
Interest received iro prior year		
Transfer of reserves		
Transfer of previous year revenue		
Write-back of provisions		
Write-back of prior year accruals		
Correcting of incorrect allocations		
Refund of levies iro prior year	0	-
Prior year revenue reversed/Written off		
Prior year expenditure		
VAT corrections		
Accumulated surplus at the end of the year	<b>49 501 501</b>	<b>63 774 890</b>
Operating account		
Capital expenditure	10 242 868	1 489 537
Contributions to provisions:	793 913	247 061
Maintenance provision	0	-
Leave pay	793 913	247 061
Contribution to Consolidated Capital Development Fund	0	-
Depreciation and renewals Fund	0	-
	<b>11 036 781</b>	<b>1 736 598</b>
The Prior year adjustments - other is made up of the following adjustments:		
Prior year expenditure	0	-
System errors	0	-
Correction of expenditure allocations	0	-
<b>Total</b>	<b>0</b>	<b>-</b>



	2 009 R	2 008 R
<b>17 CASH GENERATED BY OPERATIONS</b>		
Surplus / (deficit) for the year	(14 273 389)	2 157 311
Adjustments in respect of:		
Previous years' operating transactions	(0)	21 827 787
Appropriations charged against income:	2 427 349	-
	0	-
Leave Provision	307 581	-
	0	-
Depreciation	2 119 768	-
	0	-
Capital charges :	468 927	675 949
	0	-
Interest Paid	468 927	456 627
	0	-
	0	-
Redemption of Loan	0	219 323
Investment income (operating account)	(11 674 225)	-8 917 796
Other income	0	-
Non-operating expenditure :		
Capital Expenditure	10 242 868	1 489 537
Accumulated Funds and Reserves	(2 808 291)	-11 101 736
	<b>(15 616 762)</b>	<b>6 131 052</b>
<b>18 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / Decrease in inventory	0	-
(Increase) / Decrease in debtors	19 919 783	15 665 252
Increase / (Decrease) in creditors	21 859 530	-5 831 383
(Increase) / Decrease in long-term debtors	2 846	100 942
Increase / (Decrease) in consumer deposits	0	-
Increase / (Decrease) in short-term portion of long-term liabilities	61 527	-138 193
	<b>41 843 686</b>	<b>9 796 618</b>
<b>19 INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)</b>		
Loans raised		
Loans redeemed	(310 830)	-1 262 191
	<b>(310 830)</b>	<b>-1 262 191</b>

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>20 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments made	0	-
Investments realised	(25 156 522)	-51 874 291
	<u>(25 156 522)</u>	<u>-51 874 291</u>
<b>21 (INCREASE) / DECREASE IN CASH ON HAND AND AT BANK</b>		
Cash Book balance: beginning of the year	12 739 113	42 976 293
Less: Cash Book balance end of the year	14 461 116	12 739 113
Cash Floats:	0	-
Petty Cash:	4 000	3 104
Petty Cash:	0	-
Cash Floats:	100	100
General Bank Account ABSA Account No. 405 0280 759	14 457 016	12 735 909
	<u>(1 722 003)</u>	<u>30 237 179</u>
Bank Statement Balance at beginning of the year	20 387 062	43 046 477
Bank Statement Balance at end of the year	14 457 016	20 387 062
<b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	85 342 211	69 182 928
Finance Management Grant	300 000	
DWAF Operating Subsidy	850 300	1 147 000
Contract Services Grants as per Apendix F	154 335 447	75 490 719
	<u>240 827 958</u>	<u>145 820 647</u>

In terms of the Constitution, the equitable share is used to subsidise the provision of basic services. FMG is funding the Implementation of MFMA, DWAF operational subsidy is used to fund operations and maintenance on water schemes previously owned by the Department of Water Affairs and Contract Services are grant allocated by Provincial and National Treasury to fund community infrastructure projects and capacity building programs as listed below.

**22.1. GRANT : SPORTS & RECREATION**

Balance unspent at the Beginning of the Year	1 759 696	1 328 719
Current year Receipt	1 950 000	-
Conditions met transferred to Revenue	2 963 818	-430 977
Conditions still to be met transferred to Liabilities	745 878	1 759 696

**22.2 TRANSFORMATION GRANT**

Balance unspent at the Beginning of the Year	197 771	509 659
Current year Receipt	123	-
Conditions met transferred to Revenue	197 894	311 888
Conditions still to be met transferred to Liabilities	0	197 771

**22.3. MIG**

Balance unspent at the Beginning of the Year	23 178 349	12 578 814
Current year Receipt	105 539 000	72 585 915
Conditions met transferred to Revenue	115 587 392	61 986 380
Conditions still to be met transferred to Liabilities	13 129 958	23 178 349

**22.4. EQUITABLE SHARE**

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

**22.5. GRANT : FINANCIAL MANAGEMENT**

Balance unspent at the Beginning of the Year	601 372	500 000
Current year Receipt	500 346	500 000
Conditions met transferred to Revenue	(1 004 023)	-398 628
Conditions still to be met transferred to Liabilities	97 695	601 372

UMZINYATHI DISTRICT MUNICIPALITY  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>22.6. GRANT : ECONOMIC REGENERATION</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	0	6 253 129
Conditions met transferred to Revenue	0	6 253 129
Conditions still to be met transferred to Liabilities	0	0
<b>22.7. MUNICIPAL SYSTEMS IMPROVEMENT GRANT</b>		
Balance unspent at the Beginning of the Year	2 178 328	3 425 869
Current year Receipt	753 010	1 000 000
Conditions met transferred to Revenue	2 907 973	2 247 541
Conditions still to be met transferred to Liabilities	23 365	2 178 328
<b>22.8. GRANT : DWAF</b>		
Balance unspent at the Beginning of the Year	5 820 000	0
Current year Receipt	0	5820000
Conditions met transferred to Revenue	3 348 001	0
Conditions still to be met transferred to Liabilities	2 471 999	5820000
<b>22.9. OPERATIONAL SUBSIDY</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	850 300	1147000
Conditions met transferred to Revenue	850 300	1147000
Conditions still to be met transferred to Liabilities	0	0
<b>22.10. DIMS PROJECT</b>		
Balance unspent at the Beginning of the Year	5 100	61275
Current year Receipt	0	0
Conditions met transferred to Revenue	1 782	56175
Conditions still to be met transferred to Liabilities	3 318	5100
<b>22.11. UMSINGA POULTRY PLAN</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	200 000	0
Conditions met transferred to Revenue	95 334	0
Conditions still to be met transferred to Liabilities	104 666	0
<b>22.12. FAN PARKS</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 000 000	0
Conditions met transferred to Revenue	1 000 000	0
Conditions still to be met transferred to Liabilities	0	0
<b>22.13. GRANT FUNDING INTERGOVERNMENTAL</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	200 000	0
Conditions met transferred to Revenue	0	0
Conditions still to be met transferred to Liabilities	200 000	0
<b>22.14. SOLID WASTE MANAGEMENT</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	300 000	0
Conditions met transferred to Revenue	0	0
Conditions still to be met transferred to Liabilities	300 000	0
<b>22.15. TRANSITIONAL GRANT</b>		
Balance unspent at the Beginning of the Year	240 340	727 943
Current year Receipt	0	-
Conditions met transferred to Revenue	240 340	487 603
Conditions still to be met transferred to Liabilities	0	240 340
<b>22.16. EMANDLENI GRAZING CAMP</b>		
Balance unspent at the Beginning of the Year	29 227	29 227
Current year Receipt	0	-
Conditions met transferred to Revenue	24 323	-
Conditions still to be met transferred to Liabilities	4 904	29 227

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>22.17. SHARED SERVICES</b>		
Balance unspent at the Beginning of the Year	3 010 000	1 500 000
Current year Receipt	800 000	1 510 000
Conditions met transferred to Revenue	1 196 935	-
Conditions still to be met transferred to Liabilities	2 613 065	3 010 000
<b>22.18. INTERGRATED TRANSPORT</b>		
Balance unspent at the Beginning of the Year	250 499	53 899
Current year Receipt	0	200 000
Conditions met transferred to Revenue	101 000	3 400
Conditions still to be met transferred to Liabilities	149 499	250 499
<b>22.19. FINANCE MANAGEMENT GRANT</b>		
Balance unspent at the Beginning of the Year	601 372	500 000
Current year Receipt	500 346	500 000
Conditions met transferred to Revenue	1 004 023	398 628
Conditions still to be met transferred to Liabilities	97 695	601 372
<b>22.20. COMMUNITY COMMUNICATION</b>		
Balance unspent at the Beginning of the Year	23 781	50 000
Current year Receipt	0	-
Conditions met transferred to Revenue	23 781	26 219
Conditions still to be met transferred to Liabilities	0	23 781
<b>22.21. CIVIL PROTECTION</b>		
Balance unspent at the Beginning of the Year	23 500	23 500
Current year Receipt	0	-
Conditions met transferred to Revenue	23 500	-
Conditions still to be met transferred to Liabilities	0	23 500
<b>22.22. TOURISM</b>		
Balance unspent at the Beginning of the Year	40 560	-
Current year Receipt	0	-
Conditions met transferred to Revenue	2 804	40 560
Conditions still to be met transferred to Liabilities	37 756	40 560
<b>22.23. IDP AND CAPACITY BUILDING</b>		
Balance unspent at the Beginning of the Year	21 655	-
Current year Receipt	0	785 000
Conditions met transferred to Revenue	21 655	763 345
Conditions still to be met transferred to Liabilities	0	21 655
<b>22.24. PMS FUNDING DBSA</b>		
Balance unspent at the Beginning of the Year	146 400	146 400
Current year Receipt	0	-
Conditions met transferred to Revenue	146 400	-
Conditions still to be met transferred to Liabilities	0	146 400
<b>22.25. GRANT : GJIMA</b>		
Balance unspent at the Beginning of the Year	(46 288)	-34 288
Current year Receipt	44 249	-
Conditions met transferred to Revenue	(2 039)	12 000
Conditions still to be met transferred to Liabilities	0	(46 288)
<b>22.26. GRANT: GJIMA INTER SMME'S</b>		
Balance unspent at the Beginning of the Year	(43 746)	426 244
Current year Receipt	0	287 105
Conditions met transferred to Revenue	(43 746)	757 095
Conditions still to be met transferred to Liabilities	0	(43 746)
<b>22.27. GJIMA AGRICULTURE</b>		
Balance unspent at the Beginning of the Year	238 490	296 510
Current year Receipt	0	-
Conditions met transferred to Revenue	214 706	58 020
Conditions still to be met transferred to Liabilities	23 784	238 490

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>22.28. GIJIMA LED STRATEGY</b>		
Balance unspent at the Beginning of the Year	153 367	148 416
Current year Receipt	0	478 024
Conditions met transferred to Revenue	153 367	473 073
Conditions still to be met transferred to Liabilities	0	153 367
<b>22.29 LGTA WSDP REVIEW</b>		
Balance unspent at the Beginning of the Year	0	-
Current year Receipt	0	-
Conditions met transferred to Revenue	0	-
Conditions still to be met transferred to Liabilities	0	0
<b>22.30. LGTA ASSESS OF WATER</b>		
Balance unspent at the Beginning of the Year	444 254	450 000
Current year Receipt	0	-
Conditions met transferred to Revenue	0	5 746
Conditions still to be met transferred to Liabilities	444 254	444 254
<b>22.31. LED: DISTRICT TOURISM STRATEGY</b>		
Balance unspent at the Beginning of the Year	241 251	150 000
Current year Receipt	0	350 000
Conditions met transferred to Revenue	241 251	258 749
Conditions still to be met transferred to Liabilities	0	241 251
<b>22.32. LED DISTRICT SIGNAGE PROJECT</b>		
Balance unspent at the Beginning of the Year	318 755	238 655
Current year Receipt	0	170 000
Conditions met transferred to Revenue	219 091	89 900
Conditions still to be met transferred to Liabilities	99 664	318 755
<b>22.33. LED: ENDUMENI MARKET STALLS</b>		
Balance unspent at the Beginning of the Year	141 068	130 000
Current year Receipt	0	870 000
Conditions met transferred to Revenue	58 583	858 932
Conditions still to be met transferred to Liabilities	82 485	141 068
<b>22.34. LED: MANGENI WATERFALL</b>		
Balance unspent at the Beginning of the Year	23 763	120 000
Current year Receipt	0	-
Conditions met transferred to Revenue	23 763	96 237
Conditions still to be met transferred to Liabilities	0	23 763
<b>22.35. LED: KWAKOPI CURIOSHOP</b>		
Balance unspent at the Beginning of the Year	141 877	150 000
Current year Receipt	0	150 000
Conditions met transferred to Revenue	141 877	158 123
Conditions still to be met transferred to Liabilities	0	141 877
<b>22.36. MUDEN ARTS &amp; CRAFT</b>		
Balance unspent at the Beginning of the Year	50 073	116 598
Current year Receipt	0	-
Conditions met transferred to Revenue	33 262	66 525
Conditions still to be met transferred to Liabilities	16 811	50 073
<b>22.37. MUNICIPAL SUPPORT GRANT</b>		
Balance unspent at the Beginning of the Year	36 333	111 909
Current year Receipt	0	-
Conditions met transferred to Revenue	36 333	75 576
Conditions still to be met transferred to Liabilities	0	36 333

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>22.38. CMC &amp; SECRETARIAT GRANT</b>		
Balance unspent at the Beginning of the Year	61 988	61 988
Current year Receipt	0	-
Conditions met transferred to Revenue	8 442	-
Conditions still to be met transferred to Liabilities	53 546	61 988
<b>22.39. LGTA MUNICIPAL (ICS) GRANT</b>		
Balance unspent at the Beginning of the Year	1 532 934	1 558 235
Current year Receipt	0	-
Conditions met transferred to Revenue	535 252	25 300
Conditions still to be met transferred to Liabilities	997 682	1 532 935
<b>22.40. NLDTF: DUNDEE ARTS AND CRAFT</b>		
Balance unspent at the Beginning of the Year	774 744	-
Current year Receipt	828 000	1 801 000
Conditions met transferred to Revenue	392 839	1 026 256
Conditions still to be met transferred to Liabilities	1 209 905	774 744
<b>22.41. GROWTH DEVELOPMENT SUMMIT</b>		
Balance unspent at the Beginning of the Year	100 000	
Current year Receipt	0	100 000
Conditions met transferred to Revenue	100 000	
Conditions still to be met transferred to Liabilities	0	100 000
<b>22.42. GIS SYSTEM GRANT</b>		
Balance unspent at the Beginning of the Year	1 158 596	461 264
Current year Receipt	250 000	735 000
Conditions met transferred to Revenue	(76 299)	37 668
Conditions still to be met transferred to Liabilities	1 484 895	1 158 596
<b>22.43. HALODI GRAVEL ACCESS ROAD</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	2 000 000	0
Conditions met transferred to Revenue	657 536	0
Conditions still to be met transferred to Liabilities	1 342 464	0
<b>22.44. BHAMBATHA STADIUM</b>		
Balance unspent at the Beginning of the Year	460 752	375 000
Current year Receipt	0	1 125 000
Conditions met transferred to Revenue	255 708	1 039 248
Conditions still to be met transferred to Liabilities	205 044	460 752
<b>22.45. ENDUMENU RURAL HORSE RIDING</b>		
Balance unspent at the Beginning of the Year	525 503	500 000
Current year Receipt	0	1 500 000
Conditions met transferred to Revenue	344 210	1 474 497
Conditions still to be met transferred to Liabilities	181 293	525 503
<b>22.46. LED MSINGA AGRICULTURE PACKHOUSE PROJECT</b>		
Balance unspent at the Beginning of the Year	273 598	146 598
Current year Receipt	0	127 000
Conditions met transferred to Revenue	0	-
Conditions still to be met transferred to Liabilities	273 598	273 598
<b>22.47. LED MSINGA STONE CRUSHING PLAN</b>		
Balance unspent at the Beginning of the Year	146 598	146 598
Current year Receipt	0	-
Conditions met transferred to Revenue	0	-
Conditions still to be met transferred to Liabilities	146 598	146 598

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

	2 009	2 008
	R	R
<b>22.48. LED MSINGA BEE &amp; MUSHROOM FARMING</b>		
Balance unspent at the Beginning of the Year	107 323	146 598
Current year Receipt	0	-
Conditions met transferred to Revenue	87 275	39 275
Conditions still to be met transferred to Liabilities	20 048	107 323
<b>22.49. LED NQUTHU EQHUDE AGRIBUSINESS</b>		
Balance unspent at the Beginning of the Year	29 193	150 000
Current year Receipt	0	-
Conditions met transferred to Revenue	0	120 807
Conditions still to be met transferred to Liabilities	29 193	29 193
<b>22.50. DISASTER MANAGEMENT GRANT</b>		
Balance unspent at the Beginning of the Year	400 000	400 000
Current year Receipt	0	-
Conditions met transferred to Revenue	297 840	-
Conditions still to be met transferred to Liabilities	102 160	400 000
<b>22.51. LED CORRIDOR DEVELOPMENT</b>		
Balance unspent at the Beginning of the Year	520 000	-
Current year Receipt	9 940 000	520 000
Conditions met transferred to Revenue	9 957 235	-
Conditions still to be met transferred to Liabilities	502 765	520 000
<b>22.52. DEVELOPMENT PLANNING IDP CAPACITY BUILDING</b>		
Balance unspent at the Beginning of the Year	510 000	510 000
Current year Receipt	3 566	-
Conditions met transferred to Revenue	228 178	-
Conditions still to be met transferred to Liabilities	285 387	510 000
<b>22.53. DISASTER MANAGEMENT PLAN</b>		
Balance unspent at the Beginning of the Year	587 548	700 000
Current year Receipt	0	-
Conditions met transferred to Revenue	120 416	112 452
Conditions still to be met transferred to Liabilities	467 132	587 548
<b>22.54. DTLGA: WSDP 06/07</b>		
Balance unspent at the Beginning of the Year	17 870	17 870
Current year Receipt	0	-
Conditions met transferred to Revenue	17 870	-
Conditions still to be met transferred to Liabilities	0	17 870
<b>22.55. DTLGA: S78 06/07</b>		
Balance unspent at the Beginning of the Year	700 000	700 000
Current year Receipt	0	-
Conditions met transferred to Revenue	0	-
Conditions still to be met transferred to Liabilities	700 000	700 000
<b>22.56. DTLGA: TECH SUPPORT 06/07</b>		
Balance unspent at the Beginning of the Year	740 000	740 000
Current year Receipt	0	-
Conditions met transferred to Revenue	127 283	-
Conditions still to be met transferred to Liabilities	612 718	740 000
<b>22.57. DTLGA: BACKLOG 06/07</b>		
Balance unspent at the Beginning of the Year	116 548	160 856
Current year Receipt	0	-
Conditions met transferred to Revenue	0	44 308
Conditions still to be met transferred to Liabilities	116 548	116 548

## UMZINYATHI DISTRICT MUNICIPALITY

2 009

2 008

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

**22.58. DTLGFA: ENERGY 06/07**

Balance unspent at the Beginning of the Year	200 000	200 000
Current year Receipt	0	-
Conditions met transferred to Revenue	0	-
Conditions still to be met transferred to Liabilities	200 000	200 000

**22.59. DTLGA CAPACITY BUILDING 06/07**

Balance unspent at the Beginning of the Year	98 000	120 000
Current year Receipt	0	-
Conditions met transferred to Revenue	93 782	22 000
Conditions still to be met transferred to Liabilities	4 218	98 000

**22.60. DTLGA CAPACITY IDP 2007**

Balance unspent at the Beginning of the Year	16 023	130 475
Current year Receipt	0	-
Conditions met transferred to Revenue	0	114 452
Conditions still to be met transferred to Liabilities	16 023	16 023

**22.61. GREYTOWN BULKWATER**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	13 388 554	0
Conditions met transferred to Revenue	3 053 610	0
Conditions still to be met transferred to Liabilities	10 334 945	0

**22.62. SOYA BEAN PROJECT**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	0	0
Conditions met transferred to Revenue	0	0
Conditions still to be met transferred to Liabilities	0	0

**22.63. CONTRACTOR INCUBATOR PROJECT**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	2 640 000	0
Conditions met transferred to Revenue	1 109 412	0
Conditions still to be met transferred to Liabilities	1 530 588	0

**22.64. DECOMMISS NQUTHU SEWER**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	8 000 000	0
Conditions met transferred to Revenue	5 578 337	0
Conditions still to be met transferred to Liabilities	2 421 663	0

**22.65. MSINGA AGRI BUSINESS**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 600 000	0
Conditions met transferred to Revenue	307 649	0
Conditions still to be met transferred to Liabilities	1 292 351	0

**22.66. MASSIFIKATION OF BULK WATER**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 000 000	0
Conditions met transferred to Revenue	0	0
Conditions still to be met transferred to Liabilities	1 000 000	0

**22.67. ENSELENI COMMUNITY HALL 1 GREYTOWN**

Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 200 000	0
Conditions met transferred to Revenue	93 158	0
Conditions still to be met transferred to Liabilities	1 106 842	0



NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

<b>22.68. ENKAMBA COMMUNITY HALL 1 MSINGA</b>	0	0
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 200 000	0
Conditions met transferred to Revenue	53 874	0
Conditions still to be met transferred to Liabilities	1 146 126	0
<b>22.69. DEVELOPMENT OF 2 LANDFILL SITES</b>		
Balance unspent at the Beginning of the Year	0	0
Current year Receipt	1 000 000	0
Conditions met transferred to Revenue	0	0
Conditions still to be met transferred to Liabilities	1 000 000	0
<b>22.70. DROUGHT RELIEF NO.3</b>		
Balance unspent at the Beginning of the Year	1 235 347	75 186
Current year Receipt	0	3 000 000
Conditions met transferred to Revenue	1 028 439	1 839 839
Conditions still to be met transferred to Liabilities	206 908	1 235 347

**23 Changes in the level of government grant**

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding expected over the next three financial year.

**24 OTHER INCOME**

Other Income		
Recovered from unauthorised , irregular, fruitless and wasteful expenditure		
<b>Total Other Income</b>		

**25 SERVICE CHARGES**

Sale of water		
<b>Total Service Charges</b>		

**26 RETIREMENT BENEFITS OBLIGATION**

**26.1. Defined benefit plan**

**Statement of Financial Position obligation for :**

Post-employment medical benefits	0	-
Pension benefits	0	-
<b>Balance at the end of year</b>	0	-

**Statement of Financial Performance obligation for :**

Post-employment medical benefits	0	-
Pension Benefits :	0	-
Defined Benefit Funds	0	-
Defined Contribution funds	0	-
<b>Total, included in employee benefits expense</b>	0	0

**26.1.1. Post-Retirement Medical Aid plan**

The municipality operates on 6 accredited medical aid schemes, namely Key health, Discovery, Hosemed. Bonital , Samwumed and LA Health. Pensioners continue on the option they belonged to on the day on their retirement.

**Movement in the defined benefit obligation is as follows :**

Balance at the beginning of the year	0	-
Current service cost	0	-
Interest costs	0	-
Actuarial (gains) losses	0	-
Benefit payments	0	-
<b>Balance at end of year</b>	0	0

**26 RETIREMENT BENEFITS OBLIGATION (continued)**

Net Expense recognised in the Statement of Financial performance

Current service cost	0	-
Interest costs	0	-
Actuarial (gains) losses	0	-
Benefit payments	0	-
<b>Total, included in employee benefits expense</b>	<b>0</b>	<b>0</b>

**26 RETIREMENT BENEFITS OBLIGATION (continued)****Key assumptions used**

The principal actuarial assumptions used will be as follows

Discount rates used	9.5%	9.5%
General increase to medical aid contributions	8.0%	8.5%
Salary Inflation	8.0%	8.0%
Expected retirement age	63	63
Proportion continuing membership at retirement	100%	100%
Proportion of retiring members who are married	90%	90%

Other assumption :

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members - In accordance with the SA 85 - 90 (Light) ultimate table (rated down 3 years for females).

Mortality of pensioners - In accordance with the PA (90) ultimate male and female tables

(No explicit assumption was made about additional mortality or health care costs due to AIDS)

**Percentage of in-service members withdrawing before retirement :**

age 20	7.85%	7.85%
age 25	5.67%	5.67%
age 30	4.20%	4.20%
age 35	3.31%	3.31%
age 40	2.23%	2.23%
age 45	1.21%	1.21%
age 50	0.55%	0.55%
age 55+	0.00%	0.00%

**26.1.2. Pension benefits**

The amount recognised in Statement of Financial Position were determined as follows :

Present value of funded obligations	0	-
Present value of the defined benefit obligation - partially or wholly funded	0	-
Asset not recognised due to future surplus policy not yet established	0	-
<b>Surplus in the Statement of Financial Position</b>	<b>0</b>	<b>-</b>

**26 RETIREMENT BENEFITS OBLIGATION (continued)**

Movement in the defined benefit obligation is as follows

Balance at the beginning of the year	0	-
Current Service Costs	0	-
Contributions by plan participants	0	-
Actuarial losses	0	-
Interest costs	0	-
Benefit payment	0	-
Obligation not recognised due to future surplus policy not yet established	0	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

Movement in the fair value of plan assets is as follows :

Actuarial gain (losses)	0	-
Employer Contributions	0	-
Employee Contributions	0	-
Benefit payment	0	-
Expected return of assets	0	-
Asset not recognised due to future surplus policy not yet established	0	-
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>

The amount recognised in the Statement of Financial Performance were as follows :

Current service cost	- Defined Benefit Funds	0	-
Current service cost	- Defined Contribution Funds	0	-
<b>Total Included in employee benefit expense</b>		<b>0</b>	<b>0</b>

**Key assumptions used**

The principal actuarial assumptions used were as follows

Discount rate	<b>10.75%</b>	7.75%
Expected return on plan assets	<b>11.00%</b>	8.25%
Future salary increase	<b>8.00%</b>	4.75%
Future pension increase	<b>5.98%</b>	2.85%

Examples of mortality rates to be used are as follows :

Active members (ALL) :

age 20	<b>0.13%</b>	<b>0.13%</b>
age 25	<b>0.18%</b>	<b>0.18%</b>
age 30	<b>0.25%</b>	<b>0.25%</b>
age 35	<b>0.37%</b>	<b>0.37%</b>
age 40	<b>0.52%</b>	<b>0.52%</b>
age 45	<b>0.72%</b>	<b>0.72%</b>
age 50	<b>0.99%</b>	<b>0.99%</b>
age 55	<b>1.37%</b>	<b>1.37%</b>
age 55	<b>1.89%</b>	<b>1.89%</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

**26 RETIREMENT BENEFITS OBLIGATION (continued)**

All Councillors and Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

The retirement plan is subject to the Pension Funds Act, 1956

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon but the Valuator at intervals not exceeding three years.

In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

Interim Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121,7 million more than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

**Statutory Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.**

In respect of Service to 31 March 2006 the actuarial value of the total assets was R140,9 million less than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- deficit of R204,3 million in respect of members (funding level 73,0%) attributed to salary increases being higher than expected (the average salary increased by 11,1% over the three year period which is substantially in excess of inflation).

The Fund was thus 87,7% funded. The Fund did not hold an investment reserve.

**27 CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:	0	-
Approved and contracted for	49 539 844	49 538 340
Approved but not yet contracted for		
	<u>49 539 844</u>	<u>49 538 340</u>

This expenditure will be financed from:	0	-
Internal sources	0	-
External sources	49 539 844	49 538 340
	<u>49 539 844</u>	<u>49 538 340</u>

**28****CONSOLIDATED CAPITAL DEVELOPMENT FUND**

Outstanding advances to borrowing services:	0	-
Accumulated fund	0	-
Less:	0	-
	<u>0</u>	<u>-</u>

(Refer to Appendices A and B for more detail)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

29

**LOAN REDEMPTION FUND**

Outstanding advances to borrowing services	0	-
Accumulated fund	0	-
Less:		
	<u>0</u>	<u>-</u>

(Refer to Appendix A for more detail)

30

**DEPRECIATION & RENEWALS FUND**

Outstanding advances to borrowing services	0	-
Accumulated fund	0	-
Less:	0	-
	<u>0</u>	<u>-</u>

(Refer to Appendices A and B for more detail)

**31 CONTINGENT LIABILITIES**

None

**32 MUNICIPAL ENTITIES**

During the 2004/05 financial year the water and sanitation services assets were transferred to uThukela Water (Pty) Ltd in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the three WSA's being uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Local Municipality.

Since Uthukela Water has not submitted annual financial statements since inception, no audit was conducted on the figures used.

uMzinyathi District Municipality holds 33% shares in uThukela Water (Pty) Ltd.

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

<b>uThukela Water (Pty) Ltd</b>	<b>(44 211 142)</b>	<b>-26 561 325</b>
Income generated by water sales	15 425 077	15 800 784
Sundry Income	0	1 678 775
Expenditure by uThukela Water (Pty) Ltd	<b>(59 636 219)</b>	<b>-44 040 884</b>
<b>uMzinyathi District Municipality</b>	<b>37 547 451</b>	<b>34 647 000</b>
Funding from Equitable Shares	36 697 151	33 500 000
Operational Subsidy	850 300	1 147 000
Direct Expenditure	0	-
Provision for Bad Debt	0	-
<b>Surplus / (Deficit) for the year</b>	<b>(6 663 691)</b>	<b>8 085 675</b>

Transfer of powers and functions in respect of the water and sanitation services transferred from uMzinyathi District Municipality to uThukela Water (Pty) Ltd.

## 33 MIG EXPENDITURE

	2008 / 2009	2007/08
<b>MIG EXPENDITURE</b>		
BOREHOLES REHABILITATION	189 126.80	
Amangwe Buthanani - Isandlwana Phase 1&2	4 190 473.30	770 306
ESHANE WATER SUPPLY	5 440 284.20	
Hlazakazi Water Scheme Phase 1 - Isandlwana	800 000.37	6 023 699
Keates Drift Water Scheme		61 415
Kwa Senge Water Supply	145 000.00	51 655
KwaJama Household Sanitation	2 985 162.42	5 173 654
KWAKOPI MHLANGANA	6 988 371.14	
Mahhabeleni Phase 2 & 3(Subject to approval)	7 072 947.30	
MAKHABENI SANITATION:IMPLEMENTATION	4 250 096.37	
Mbono Water	14 389 909.37	257 517
MBUBA HERMANSBERG	4 005 587.72	
Mbuba-Ward 9 Sanitation		958 422
Mthembu West - Tugela Ferry	5 379 720.18	4 956 168
Muden/Ngome Water Supply Scheme		
Ndaya Water		412 610
Ndindindi Water Supply Scheme	52 440.98	
NGUBUKAZI WATER SUPPLY	4 575 907.31	
Nondweni Town Sewerage Disposal		311 629
Nondweni Sanitation		
Ntanyadlovu/Ngwetshana Water Scheme	2 822 193.34	1 045 699
Ophathe - Water	9 369 648.42	6 025 971
Othame Sanitation	312 121.45	1 738 050
Pomeroy Bulk Water Supply Phase 2 (ISRDP)		
Pomeroy Sanitation		
POMEROY SUB REGIONAL SCHEME	5 192 860.21	13 901 187
Qhudenl Water Scheme	18 054 070.23	9 017 400
RUGTEFONTEIN SETTLEMENT AREA	2 352 906.40	
Sithembile Sewer Pump Station		151 310
PMU		1 165 234
UMBABA MTEMBISWENI SANITATION	982 763.37	
Umzinyathi Rudimentary	14 445 985.50	9 739 690
	<b>113 997 576.38</b>	<b>61 761 614</b>
<b>External Funded - MIG Grant</b>	<b>113 997 576</b>	<b>61 761 614</b>

CHANGE IN ACCOUNTING POLICY -  
34 IMPLEMENTATION OF GAMAP

## 34.1 Statutory Funds

## Balance previously reported: -

Capital Development Fund	0	9 169 833
CDF - Internal Loan		893 755
Lease - External Loan	0	149 113
Loans redeemed and other capital receipts	0	33 123 360
<b>Total</b>	<b>0</b>	<b>43 336 061</b>

## Implementation of GAMAP

Transferred to Accumulated Surplus/(Deficit) (see 26.7 below)	0	10 212 701
Transferred to Government Grant Reserve	0	10 896 436
Transferred to Donation and Public Contribution Reserve	0	22 226 924
	<b>0</b>	<b>43 336 061</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2009 (continued)

<b>34.2 Provisions and Reserves</b>		
<b>Balance previously reported</b>		
Reserves	0	5 325 865
<b>Total</b>	<b>0</b>	<b>5 325 865</b>
<b>Implementation of GAMAP</b>		
Transferred to Government Grant Reserve	0	5 325 865
Transferred to Capitalisation Reserve	0	5 325 865
<b>34.3 Accumulated Depreciation</b>		
<b>Balance previously reported</b>		
<b>Implementation of GAMAP</b>		
Backlog depreciation: Land and buildings		4 871 933
Backlog depreciation: Vehicle		3 365 150
Backlog depreciation: Community		
Backlog depreciation: Other		4 752 954
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 34.4 below)</b>		<b>12 990 037</b>
<b>34.4 Accumulated Surplus/(Deficit)</b>		
<b>Implementation of GAMAP</b>		
Transferred from statutory funds	0	10 212 701
Fair value of Property, Plant and Equipment previously not recorded	0	0
Backlog depreciation	0	12 990 037
<b>Total</b>	<b>0</b>	<b>23 202 738</b>
<b>35</b>		
	<b>2009</b>	<b>2 008</b>
<b>UTHUKELA INVESTMENT AND CAPITALISATION RESERVE</b>	<b>Investment and Capitalisation Reserve</b>	<b>Investment and Capitalisation Reserve</b>
An amount of R345 568 882 has been raised for assets transferred to Uthukela Water Pty Ltd for period 1 July 2005 to 30 June 2008 which is an investment to Uthukela Water and a provision for write off.	<b>Restated</b>	<b>Previsouly Stated</b>
Uthukela Investment	473 449 540	345 568 882
Provision for Uthukela water Investment Write Off	(473 449 540)	-345 568 882
	0	-
<b>36 IRREGULAR EXPENDITURE</b>		
	505 423	-
	505 423	-

An amount of R505 423.00 has been identified as irregular expenditure on the 21 October 2009. An internal investigation was conducted between the 21 to 26 October 2009 and the report was submitted to the Municipal Manager on the 27 October 2009. The Municipal Manager appointed the Forensic Auditor on the 4 November 2009 and the investigation is in progress. The journal disclosing this amount as irregular expenditure was processed on the 4 November 2009. Further accounting treatments will be informed by the finalisation of the investigation.

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES

			Balance at 30/06/2008 R	Received During the Year R	Redeemed or Written off During the Year R	Adjustments R	Balance at 30/6/2009 R
<b>OTHER LOANS</b>							
DBSA loan	12.00%	2019	2 334 776		249 303		2 085 473
			<b>2 483 889</b>	<b>-</b>	<b>249 303</b>	<b>0</b>	<b>2 085 473</b>



UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Expenditure 2008 R	Service R	Budget 2009 R	Balance at 30/06/2008 R	Expenditure 2009 R	Transferred / Disposal 2009 R	Acc Depreciation 2009 R	Balance at 30/6/2009 R
1 489 538	Resource Support Services	5 333 173.69	36 381 518	10 151 035	16 950 741.83	15 109 805.30	14 472 006
	Electricity Supply and Reticualtion		25 000	9 848	16 518.55	8 521.92	9 808
	Electricity Mains		700	-	-	455.47	245
	Car Parks		65 946	-	-	23 081.49	42 865
	Water Supply and Reticulation		5 184 250	-	3 497 618.92	1 686 631.08	0
	Sewer Pumps		900	725	380.00	536.26	709
	Security Systems		7 857	16 257	-	9 188	14 926
	Community Centres		3 097 955	-	2 671 619.74	426 334.84	0
	Libraries		9 999	121 200	5 711.99	5 409.75	120 077
	Outdoor Sport Facilities		5 746 044	-	4 014 053.91	1 731 990.09	0
	Office Buildings	3 000 000	9 022 180	5 800 000	6 386 224.69	1 785 179.36	6 650 776
	Council Owned Homes		-	1 415 000	-	3 876.71	1 411 123
348 160	Computer Hardware	322 687	2 403 823	348 160	234 900.34	1 783 403.14	733 679
	Office Machines	83 788	565 688	83 738	1 384.32	549 199.74	98 842
746 959	Air Conditioners	177 381	1 148 954	177 381	1 326.36	715 265.54	609 743
	Chairs	127 334	487 984	127 334	1 787.09	328 729.31	284 801
	Tables and Desks	187 125	438 436	187 125	2 568.46	336 132.89	286 859
	Carbinets And Cupboards	229 993	425 474	229 993	3 012.99	337 342.54	315 111
	Furniture and Fittings Other	200 520	467 730	200 520	2 036.42	395 513.54	270 699
	Household Refuse Bins	4 346	11 410	4 346	-	10 555.37	5 200
	Bulk Containers		2 000	-	-	2 000.00	0
	Fire Equipment		99 646	-	792.33	32 207.15	66 647
	Medical Equipment		1 000	-	-	1 000.00	0
85 964	Motor Vehicles;	1 000 000	1 771 566	186 630	64 445.57	1 339 530.89	554 219
	Trucks and Bakkies		4 087 106	993 250	-	2 570 474.73	2 509 881
	Tractors		326 000	0	46 200.22	159 399.69	120 400
	Compressors		-	2 495	-	373.21	2 122
	Radio Equipment		266 810	81 471	-	266 066.13	82 214
	Telecommunication Equipment		269 172	46 265	159.93	262 083.94	53 193
	Plant and Equipment		10 576	119 298	-	12 758.47	117 116
308 455	Computer Software		429 086	-	-	318 337.10	110 749
	None Assets		8 226.90	-	-	8 226.90	0
1 489 538	TOTAL FIXED ASSETS	5 333 174	36 381 518	10 151 035	16 950 741.83	15 109 805.30	14 472 006

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Expenditure 2008	Service	Budget 2009	Balance at 30/06/2008	Expenditure 2009	Transferred /		Balance at 30/06/2009
					Disposal 2009	Acc Depreciation 2009	
R		R	R	R	R	R	R
<b>1 489 537</b>	<b>Resource Support Services</b>	<b>5 333 174</b>	<b>36 381 518</b>	<b>10 151 035</b>	<b>16 950 742</b>	<b>15 109 805</b>	<b>14 472 005</b>
37 914	Municipal Manager		8 782 252	7 294 666	5 801 441	1 939 427	8 336 050
12 633	Mayor		43 050			35 124	7 926
5 700	Deputy Mayor		58 074			39 314	18 760
35 000	Speaker		69 620			33 243	36 376
22 290	Councillor		28 570	4 200		16 766	16 004
21 613	Internal Audit		562 116	28 140	0	474 100	116 156
-	Deputy Municipal Manager		0				0
73 750	Disaster Management	10 000	0				0
258 176	Corporate Services	935 000	5 471 943	1 461 727		3 951 122	2 982 548
-	Secretariate		52 263			52 263	0
27 574	Auxilliary Services		508 640	291 898	17 976	427 459	355 103
308 455	Registry		405 043	5 730		282 127	128 646
950	Multi Purpose Centre		4 896 098		4 005 240	890 858	0
19 706	Water Services		0				0
	Planning		130 535	67 515		87 416	110 633
655	Planning and Social Development	195 000	241 312	127 979		188 149	181 142
	Pimms		52 984		190	52 378	415
	Gis		245 184	67 319	0	186 327	126 176
-	Development		2 184			437	1 747
	Led, Idp, and Tourism		105 010			88 833	16 176
605 801	Financial Services	100 000	3 461 133	484 723	267 006	2 113 332	1 565 518
-	Finance : Levies		800			800	0
59 320	Technical Services	4 053 174	11 137 475	299 752	6 810 569	4 191 820	434 839
-	Community Based Public Works		1 651			1 650	1
-	Vehicles Technical Services		0				0
-	Nondweni		65 982		48 320	17 662	0
-	Enviromental Health	40 000	59 600	17 387	0	39 198	37 789
-			-				0
<b>1 489 537</b>	<b>TOTAL FIXED ASSETS</b>	<b>5 333 174</b>	<b>36 381 517</b>	<b>10 151 035</b>	<b>16 950 742</b>	<b>15 109 805</b>	<b>14 472 005</b>

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX D

ANALYSIS OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDING 30 JUNE 2009

Actual 2008 R		Actual 2009 R	Budget 2009 R
<b>INCOME</b>			
145 820 647	Government and Provincial grants and subsidies	240 827 958	218 074 000
9 602 057	Other	12 060 452	6 863 800
<u>155 422 704</u>		<u>252 888 410</u>	<u>224 937 800</u>
<b>EXPENDITURE</b>			
14 056 530	Salaries, wages and allowances	18 649 700	23 572 913
138 352 933	General expenses	247 191 253	199 952 187
855 930	Repairs and maintenance	1 320 846	1 412 700
<u>153 265 393</u>	<b>Gross expenditure</b>	<u>267 161 800</u>	<u>224 937 800</u>
<u>2 157 311</u>	<b>Net expenditure</b>	<u>(14 273 390)</u>	<u>0</u>

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX E

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income R	2008 Actual expenditure R	2008 Surplus/ (deficit) R		2009 Actual income R	2009 Actual expenditure R	2009 Surplus/ (deficit) R	Budget Surplus/ (deficit) R
79 931 985	77 774 674	2 157 311	<b>Resource Support Services</b>	<b>252 888 410</b>	<b>267 161 799</b>	<b>(14 273 389)</b>	<b>(23 422 785)</b>
28 800	3 826 577	(3 797 777)	Corporate Services - Admin	8 064	1 695 149	(1 687 085)	903 093
			Corporate - Communication	0	3 537 426	(3 537 426)	(245 288)
			Corporate - Human Resources	0	1 080 040	(1 080 040)	871 555
			Corporate - Support Services	0	3 482 197	(3 482 197)	1 045 391
			Corporate - Legal Services	0	726 358	(726 358)	(52 265)
			Corporate - Thusong Service Center	106 781	289 867	(183 086)	589 652
			Corporate - Building	214 252	2 662 965	(2 448 712)	(3 134)
0	2 528 740	(2 528 740)	Council	33 283 462	4 451 427	28 832 035	(89 197)
0	6 587 011	(6 587 011)	Finance - Admin	11 976 394	24 890 272	(12 913 878)	(15 299 417)
9 500 906	2 880 668	6 620 238	Finance - Supply Chain Management	0	662 296	(662 296)	94 367
			Finance - Budget and Treasury	154 335 447	157 101 996	(2 766 549)	2 728 074
			Levy collection	15 361 598	0	15 361 598	(15 009 000)
48 488 494	34 647 000	13 841 494	Technical Services - Admin	37 602 232	45 748 539	(8 146 307)	(5 077 958)
141 026	398 539	(257 514)	Technical Services - Project Management	0	946 064	(946 064)	113 348
11 619 885	6 176 305	5 443 580	Technical Services - Facilitation	0	2 935 139	(2 935 139)	(742 609)
1 000 000	1 404 873	(404 873)	Technical Services - Public Works	0	20 221	(20 221)	1 734 778
8 998 129	14 228 323	(5 230 194)	Municipal Manager	0	1 427 214	(1 427 214)	641 633
0	264 155	(264 155)	Planning and Social Development - Admin	0	1 890 696	(1 890 696)	86 480
0	0	0	Planning and Social Development - IDP & PMS	0	1 065 280	(1 065 280)	844 949
120	1 243 140	(1 243 020)	Planning and Social Development - Social Development	0	8 606 250	(8 606 250)	1 258 197
154 625	1 832 359	(1 677 734)	Planning and Social Development - Disaster Management	0	2 426 964	(2 426 964)	1 792 998
0	1 477 655	(1 477 655)	Planning and Social Development - Environmental Health	180	1 515 439	(1 515 259)	391 569
0	279 328	-279 327.76	Planning and Social Development - PIMMS	0	0	0	0
<u>79 931 985</u>	<u>77 774 674</u>	2 157 311	<b>TOTAL</b>	<u>252 888 410</u>	<u>267 161 799</u>	<u>(14 273 389)</u>	<u>(23 422 785)</u>
		21 827 787	Appropriations for this year (refer to note 16)			(0)	
		23 985 099	<b>Net surplus for the year</b>			<b>(14 273 389)</b>	
		39 789 792	Accumulated surplus beginning of the year			63 774 892	
		<u>63 774 892</u>	<b>Accumulated surplus end of year</b>			<u>49 501 501</u>	

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX E

SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual income R	2008 Actual expenditure R	2008 Surplus/ (deficit) R	2009 Actual income R	2009 Actual expenditure R	2009 Surplus/ (deficit) R	Budget Surplus/ (deficit) R
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**APENDIX F - GRANT CREDITORS AND PROVISIONS : 30 JUNE 2009**

	Opening Balance at 30/06/2008 R	Contri - butions during the year R	Capital Expenditure during the Year R	Operating Expenditure during the Year R	Closing Balance at 30/06/2009 R
<b>Government Grants Creditors</b>					
MiG Grant	23 178 349	105 539 000	115 587 392		13 129 958
DWAF : M & E Grant	600 000	0	-		600 000
DWAF : Water Loss Management	5 220 000	0	3 348 001		1 871 999
DIMS Project	5 100		1 782		3 318
Msinga/Nyoniyezwe Sportfield	420 998		346 739		74 259
Hermannsburg Mvoti Sportfield	323 441	975 000	1 298 441	-	-
Silonjane Nquthu Sportsfield	323 441	975 000	1 120 256		178 185
uMvoti Sports Complex - DSRS	239 816		25 000		214 816
Fabeni Sports Stadium Suspen	43 295		25 000		18 295
Makhabeleni Sports Complex	376 150		115 828		260 323
Nondweni Sportfield Upgrade	16 205		16 205		-
Nquthu Sport Stadium	16 350		16 350		-
Umsinga Poultry Plan	0	200 000	95 334		104 666
Fan Parks	0	1 000 000	1 000 000		-
Grant Funding Intergovernmental	0	200 000	-		200 000
Solid Waste Management	0	300 000	-		300 000
Reserves: Transitional Grant	240 340		240 340		-
GRANT-EMANDLENI GRAZING CAMP	29 227	0	24 323		4 904
Shared Services	3 010 000	800 000		1 196 935	2 613 065
Reserves: General Grants ;Intergrated Transpor	250 499			101 000	149 499
Reserves: General Grants ;Finance Managemen	601 372	500 346		1 004 023	97 695
Reserves: General Grants ;Transformation Gar	197 771	123		197 894	-
Reserves: General Grants ;Community Commu	23 781			23 781	-
Reserves: General Grants ;Civil Protection	23 500			23 500	-
Reserves: General Grants ;Tourism	40 560			2 804	37 756
Reserves: General Grants ;IDP And Capacity B	21 655			21 655	-
Reserves: General Grants ;PMS Funding DBSA	146 400			146 400	-
Reserves: General Grants ;Gijima	(46 288)	44 249		-2 039	-
Reserves: General Grants ;Gijima - Inter SMME's	(43 746)		-43 746		-
Reserves: General Grants ;Gijima - Agriculture	238 490		214 706		23 784
Reserves: General Grants ;Gijima - Led Strateg	153 367			153 367	-
Reserves: General Grants ;LGTA WSDP Review	0		-		-
Reserves: General Grants ;LGTA Assess of Wate	444 254		-		444 254
LED;DISTRICT TOURISM STRATEGY	241 251			241 251	-
LED;DISTRICT SIGNAGE PROJECT	318 755		219 091		99 664
LED;ENDUMENI MARKET STALLS	141 068		58 583		82 485
LED;MANGENI WATERFALL	23 763		23 763		-
LED;KWAKOPI CURIOSHOP	141 877		141 877		-
LED;MUDEN ARTS & CRAFT	50 073		33 262		16 811
Reserves: Municipal Support Grant	36 333			36 333	-
Reserves: CMC & Secretariat Grant	61 988			8 442	53 546
Reserves: LGTA Municipal (ICS) Grant;	1 532 934			535 252	997 682
NLDTF : Dundee Arts & Craft	774 744	828 000	392 839		1 209 905

**UMZINYATHI DISTRICT MUNICIPALITY**

**APENDIX F - GRANT CREDITORS AND PROVISIONS : 30 JUNE 2009 : CONTINUED**

	Opening Balance at 30/06/2008 R	Contri - butions during the year R	Capital Expenditure during the Year R	Operating Expenditure during the Year R	Closing Balance at 30/06/2009 R
Growth Development Summit	100 000	0		100 000	-
Reserves: GIS System Grant;	1 158 596	250 000	-76 299		1 484 895
Reserves: Municipal Systems Improvement Gra	2 178 328	753 010	2 907 973		23 365
Halodi Gravel Access Road	0	2 000 000	657 536		1 342 464
Bhambatha Stadium;	460 752		255 708		205 044
Endumeni Rural Horse Riding;	525 503		344 210		181 293
LED Msinga Agriculture Packhouse Project	273 598		-		273 598
LED Msinga Stone Crushing Plan	146 598		-		146 598
LED Msinga Bee&Mushroom Farming	107 323		87 275		20 048
LED Nquthu Eqhude Agribusiness	29 193		-		29 193
Disaster Management Grant	400 000			297 840	102 160
LED Corridor Development	520 000	9 940 000	9 957 235		502 765
Development Planning IDP Capacity Building	510 000	3 566		228 178	285 387
Disaster Managemen Plan/Centre	587 548			120 416	467 132
DTLGA:WSDP 06/07	17 870			17 870	-
DTLGA:S78 06/07	700 000		-		700 000
DTLGA:TECH SUP 06/07	740 000			127 283	612 718
DTLGA:BACKLOG 06/07	116 548			-	116 548
DTLGA:ENERGY 06/07	200 000			-	200 000
DTLGA:CAPACITY BUILDING 06/0	98 000			93 782	4 218
DTLGA:CAPACITY IDP 2007	16 023		-		16 023
Greytown Bulk Water	0	13 388 554	3 053 610		10 334 945
Soya Bean Project	0		-		-
Contractor Incubator Project	0	2 640 000	1 109 412		1 530 588
Decommiss Nquthu Sewer	0	8 000 000	5 578 337		2 421 663
Msinga Agri-Business	0	1 600 000	307 649		1 292 351
CMIP Dundee Bulk Water	0		-		-
Massifikation of Bulk Water	0	1 000 000			1 000 000
Enseleni Community Hall1 Greytown	0	1 200 000	93 158		1 106 842
Enkamba Community Hall1 Msinga	0	1 200 000	53 874		1 146 126
Development of 2 Landfill Sites	0	1 000 000	-		1 000 000
Drought Relief No.3;	1 235 347			1 028 439	206 908
<b>Government Grants Creditors</b>	<b>49 538 339</b>	<b>154 336 849</b>	<b>148 631 040</b>	<b>5 704 407</b>	<b>49 539 844</b>
<b>Provisions</b>					
Leave pay	465 991	793 913		307 581	952 323
<b>Provisions</b>	<b>465 991</b>	<b>793 913</b>	<b>307 581</b>	<b>952 323</b>	<b>952 323</b>
<b>Grant Creditors and Provisions</b>	<b>50 004 330</b>	<b>155 130 762</b>	<b>148 938 621</b>	<b>6 656 730</b>	<b>50 492 167</b>

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX G: STATISTICAL INFORMATION

	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Statistics</b>								
Levy tariffs								
Regional Establishment Levy (% of Turnover excluding VAT)	0	0	0.12	0.12	0.12	0.12	0.12	0.12
Regional Services Levy (% of Salaries, wages & drawings)	0	0	0.30	0.30	0.30	0.30	0.30	0.30
Number of Registered Levy Payers	0	0	1 245	1 896	1 791	1 459	1 279	1 977
Number of councillors of the Municipality	23	23	23	22	22	23	23	23
Number of employees of the Municipality	53	53	53	44	86	112	106	89
Number of water connections	-	-	-	-	722	236	*	*
<b>Water Statistics</b>								
Units purified ( kL )	-	-	-	-	6 317 998	*	*	*
Units Sold ( kL )	-	-	-	-	5 175 736	*	*	*
Distribution Loss ( kL )	-	-	-	-	1 142 262	*	*	*
Distribution Loss ( % )	-	-	-	-	18%	*	*	*
Average cost per unit sold ( R )	-	-	-	-	3.98	*	*	*

\* = Information not available



## **CHAPTER 4: SERVICE PROVIDERS PERFORMANCE**

During 2008/09 financial year, Umzinyathi District Municipality had external service providers which provided services for the municipality and also on behalf of the municipality; the municipality had four (4) external service providers and they provided a range of services, and the service providers which were contracted by the municipality during the year under review are as follows:

- Uthukela Water Services;
- Rural Metro Services;
- Imbube Security Services; and
- Xerox services

In terms of Section 46 (1) (a), the municipality has to provide performance details of the external service providers contracted during the year under review, the performance assessment of the external service providers is as follows:

- **Uthukela Water Services**

Umzinyathi District Municipality is a Water Services Authority (WSA), and is under a legal obligation in terms of Section 12 of the Water Services Act, 1997. Umzinyathi District Municipality together with Amajuba District Municipality and Newcastle Local Municipality had established a municipal entity known as Uthukela Water to supply the provision of water services in the region. The municipal entity responsibilities include the billing, customer care, and operations and maintenance of the water services.

During December 2007, the MEC for the Department of Co-operative Governance and Traditional Affairs intervened in the operations of the municipal entity through the application of Section 139. Since then the operations of the municipal entity has been reported to the MEC, and the municipality has no overall control over the municipal entity. Since the intervention was applied, the municipal entity has been solely responsible for the operations and maintenance, and the provision of new infrastructure is being done by the municipality.

The municipality has also taken over the operations of some of the schemes namely, Makhabeleni, Hemmarnsburg, Muden and Ndindindi (phase 2 and 3), as they were completely neglected.

- **Rural Metro Services**

During the year under review, the municipality had a contract with an external service provider known as Rural Metro to deal with disaster management functions; other responsibilities included fire, managing the communication system to report disasters, and also operations. The municipality was satisfied with the level of dedication and commitment shown by the service provider in dealing with disaster management issues during the year under review, as the service provider managed to meet the targets which were set during the beginning of the financial year.

- **Imbube Security Services**

During the year under review, the municipality had a contract with an external service provider known as Imbube Security Services; the responsibilities of Imbube included amongst others, provision of security services to the building of the municipality and its employees, provide access control and also to control the municipal parking. The municipality was satisfied with the level of dedication and commitment shown by the service provider in providing security services.

- **Xerox Services**

During the year under review, the municipality had a contract with an external service provider known as Xerox, the responsibilities of Xerox included amongst others, maintenance of photocopying machines and also to attend to urgent municipal queries as and when needed. The municipality was satisfied with the level of dedication and commitment shown by the service provider in providing the service.

## **CHAPTER 5: REPORT OF THE AUDIT COMMITTEE**

### **ESTABLISHMENT OF AN AUDIT COMMITTEE**

Section 166(1) read with section 166(6) of the Municipal Finance Management Act 56 of 2003 provides that each Municipality **must have** an Audit Committee subject to that a single Audit Committee may be established for a District Municipality and the Local Municipalities within that District Municipality.

Umzinyathi District Municipality appointed an Audit Committee for the period commencing from 01 February 2008 until 31 January 2011. This Audit Committee's appointment was extended to Nquthu, Msinga and Umvoti Local Municipalities.

This Audit Committee is thus far functional at Umzinyathi and Umvoti. Attempts are being made to have dates set with the other two municipalities and as the time of writing this report, there progress with regard to Nquthu Local Municipality.

### **FUNCTIONS OF THE AUDIT COMMITTEE**

The functions of the Audit Committee are statutory and provided for in section 166(2) of the Municipal Finance Management Act 56 of 2003 which reads:

- (2) An Audit Committee is an independent advisory body which must –
- (a) advise the municipal Council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to: -
- I. Internal Financial Control and Internal Audits;
  - II. Risk Management;
  - III. Accounting Policies;
  - IV. The adequacy, reliability and accuracy of financial reporting and information;
  - V. Performance Management;
  - VI. Effective governance;
  - VII. Compliance with the Municipal Finance Management Act, the annual Division of Revenue Act and any other applicable legislation.
  - VIII. Performance evaluation;
  - IX. Any other issues referred to it by the municipality or municipal entity;
- (b) review the financial statements to provide the Council of the municipality or, in the case of a municipal entity, the Council of the parent municipality and the board of directors of the entity, with an authoritative and credible review of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the Annual Division of Revenue and any other applicable legislation.

- (c) respond to the Council on any issues raised by the Auditor-General in the Audit Report;
- (d) carry out such investigations into the financial affairs of the municipality or municipal entity as the Council of the municipality, or in the case of a municipal entity, the Council of the parent municipality or the board of directors of the entity, may request, and
- (e) perform such functions as may be prescribed

The Audit Committee on its various meetings with the District Municipality management has sort to advise the management as will full appear hereinunder. Minutes of the Audit Committee are tabled to Council with the objective of advising Council on matters raised and advice given by the Audit Committee. It is of concern that the items on Audit Committee minutes are noted by Council. In terms of the law, Council ought to consider these minutes and or reports and the Chairman of the Audit Committee should attend such Council meetings.

## **MEETINGS OF THE AUDIT COMMITTEE**

Section 166(4) (b) provides, "An Audit Committee must meet as often as is required to perform its functions, but at least four times a year."

The Audit Committee held meetings on 11 July 2008; 13 October 2009; 27 November 2008; 30 January 2009; 08 June 2009; and 21 July 2009.

### **1. INTERNAL FINANCIAL CONTROLS AND INTERNAL AUDIT**

- Financial controls were considered to be light on quarterly reports submitted to the Committee;
- It must be stressed that the reporting is still wanting in many respects for the purposes of control in that the reporting is still not in full compliance with Section 17 of the Municipal Finance Management Act;
- Section 66 reports were not tabled. It is suggested that the municipality should prepare these statement as they assist in the general risk management;
- The municipality had adopted an internal audit plan and the internal auditing has been functional;
- The Municipal Manager has been advised by the Audit Committee to take disciplinary measures on staff members that failed or neglected or refused to correct matters raised by the Internal Auditors;
- The municipality was advised to appoint full time internal auditors, to date that has not been done the risk will be the perpetual reliance on service providers to attend to this function which we consider pivotal in the total risk management.

## **2. RISK MANAGEMENT**

- Risk management has been an overall consideration in attend to the reportable matters;
- It must be stressed to the Council, political office bearers and management that the risk carried by not tabling reports on reportable matters is non detection of risks. For example with the absence of section 66 reports, we were unable to advise on overtime expenditure, nor compliance such overtime with deliverables.

## **3. ACCOUNTING POLICIES**

- The municipality had presented sound accounting policies;
- We suggested changes on the lifespan of some projects which it was felt it was too long;
- It is suggested that the municipality make provision for funds to replace the property on it reaching the projected lifespan

## **4. ACCURACY OF FINANCIAL REPORTING AND INFORMATION**

- The quarterly reports presented to the Audit Committee were considered and it was decided that they were fairly accurate save for raising Uthukela Water as an investment, and the insistence that the municipality receive some revenue from water sales which the Audit Committee is of the opinion that it's not correct;
- We may say though that at the time of writing this report, the issue has been resolved;
- A meeting was scheduled to consider the financial statements which with certain amendments and explanations were accepted as fairly representing the position of the municipality.

## **5. PERFORMANCE MANAGEMENT**

- The Audit Committee was advised that the Performance Management System is in place and was cascaded to other employees;
- The Service Delivery and Budget Implementation Plan progress report for mid year was tabled before the Audit Committee;
- The report shows a fair compliance with the plan.

## **6. EFFECTIVE GOVERNANCE**

- There were no specific matters of governance, it was however suggested to the municipality that a workshop be held on roles and responsibilities.

## **7. COMPLIANCE WITH LEGISLATION**

- Compliance with legislation is considered as an ongoing item.

## **8. PERFORMANCE EVALUATION**

- None

**9. MATTERS REFERRED BY COUNCIL**

- None

**10. REVIEW OF ANNUAL FINANCIAL STATEMENTS**

- Considered

**11. ISSUES RAISED BY THE AUDITOR GENERAL**

- The Audit Committee has followed responses on the issues raised by the Auditor-General;
- On the meeting held on the 21 July 2009, the Audit Committee was informed by the CFO that “Audit queries raised on the previous years’ audit report have been addressed and supporting evidence is available for audit”.

**CONCLUSION**

The municipality has fairly complied with legislation. It must however, be stated that attendance by Senior Management is generally poor save for the Municipal Manager and the Chief Financial Officer.

Reports on matters dealt with at Council are still not forthcoming, this limits the scope of the Audit Committee in its statutory duty to advise Council, political office bearers and the management

LCT NKOSI  
**CHAIRMAN, UMZINYATHI DISTRICT MUNICIPALITY**  
**22 MARCH 2010**

## CHAPTER 6: REPORT OF THE OVERSIGHT COMMITTEE

### REPORT OF THE STANDING COMMITTEE ON MUNICIPAL ACCOUNTS ON THE 2008/09 ANNUAL REPORT

Umzinyathi District Municipality received an unqualified audit report with minor issues of emphasis, which means that the 2008/09 financial statements are a true reflection of the municipality financial performance. However, the objective of Umzinyathi District Municipality should be to obtain an unqualified audit report without issues of emphasis.

Taking into account the 2008/09 audit report, audit opinion and comments from Management, the Standing Committee on Municipal Account considered the following:

- To what extent does the report indicate serious or minor financial issues;
- To what extent are the same issues repeated from previous audits;
- Is the action proposed considered to be adequate to effectively address the issues raised in the audit report; and
- Has the schedule of actions to be taken to address the concerns of non compliance with target dates of achievements drawn up indicating the responsible Managers.

The Standing Committee on Municipal Accounts performed an oversight role on behalf of Council on the 2008/09 Annual Report, the following framework was taken into account:

No	Annual Report Components	MFMA	Yes	No
1	Is there a set of the audited financial statements?	S 121 (3)(a)	√	
2	Does the annual report contain the audit report on annual financial statements?	S 121(3)(b)	√	
3	Does the annual report contain annual performance report in terms of S46 of MSA?	S121(3)(c)	√	
4	Does the annual report contain the Auditor-General report on the municipality performance report?	S121(3)(d)	√	
5	Does the annual report contain an assessment of the performance against measurable performance objectives for revenue collection by the accounting officer?	S121(3)(f)	√	
6	Does the performance report include the current year's performance targets as well as prior year for the municipality as well as municipal entity?	MSA S46(1)(a)	√	
7	Does the performance report contain the development and service delivery priorities and performance targets set for the financial year?	MSA S46(1)(b)	√	

8	Does the performance report include measures that were taken or are to be taken to improve the performance?	MSA S46(1)(c)	√	
9	Is there an assessment by the accounting officer on any arrears on municipal taxes and service charges?	S21(3)(e)		√
10	Does the annual report contain a response to the audit report on annual financial statements?	S21(3)(g)	√	
11	Does the annual report contain the recommendation of the audit committee?	S21(3)(j)		√
12	Does the municipality have sole or effective control of a municipal entity?		√	
13	If yes to the above, is there a set of consolidated annual financial statements?	S121(3)(a), S122(2)		√
14	Have the following document been placed on the municipal website <ul style="list-style-type: none"> <li>• Annual Report; and</li> <li>• Performance Agreements in terms of Section 57 employees.</li> </ul>			√

Based on the above, one notes with a sigh of relief that the issues of non compliance raised in the audit report did not have any serious negative impact on the service delivery and expenditure in the budget. The onerous requirements of so many legislative mandates, makes it difficult to obtain an unqualified audit report with no matters of emphasis. The achievement of obtaining an unqualified audit report which goes with the performance report is being recognised by the Standing Committee on Municipal Accounts.

The committee commends Council and administration on the strides made towards good governance. However, we need to focus our attention and energies to achieve the National objective of Operation Clean Audit by 2010/11 financial year not 2014. Above all, we need to maintain systems for sustaining quality statements and management information. I am confident that Council together with management will rise to the occasion.

**Dr I. Bedassi**  
**Chairman**  
**15/03/2010**



## CHAPTER 7: IMPROVEMENT PERFORMANCE MEASURES

Enormous challenges were confronted during the year under review which hindered the municipality from reaching some of the targets, mitigating measures have been put in place to assist with the improvement of the municipality during the current financial year, and major ones are highlighted in the table below:

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

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

## CHAPTER 8: CONCLUSION

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

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