

# UMDA 2008\2009 Annual Report



*"Opportunity  
through Development"*

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## UMHLOSINGA DEVELOPMENT AGENCY 2008\2009

*The Board of the Umhlosinga Development Agency is proud to present its Activity\Action Plan for the term 2009\2010. The Chief Executive Officer and his Chief Operational Officer has prepared a detailed plan that speaks to the Strategic and Operational mandate of the UMDA.*

### *Vision*

***An inclusive, thriving district economy that directly benefits equitably, all of the communities and residents of the UMkhanyakude District Municipality.***

### ***The Mission statement:***

***To coordinate, plan and manage the implementation of a locally-driven program to fast-track the development of the local economy of the District of UMkhanyakude.***

### ***Institutional Mandate.***

*The UMkhanyakude Development Agency will function as a Local Economic Development Agency (LEDA) – a dedicated entity responsible for the planning and implementation of a program of sustainable economic growth and development in the sub region. The District Municipality of UMkhanyakude has formally mandated the agency, to:*

- A) Act as an agent, for and on behalf of the district municipality, for the purposes of implementing an integrated and sustainable program of programme economic development in the area,*
- B) To identify, plan and manage the implementation of economic development projects in the District of UMkhanyakude, as agreed to with the district and/or local municipalities of the district;*
- C) To acquire, own and manage land and buildings, and/or rights to land and buildings, on behalf of the district and/or local municipalities, to be used for economic development purposes.*
- D) To act as receiver, manager and/ or coordinator of technical assistance and development funding from donor, public and private sector institutions/organizations for the discharge of its mandate.*
- E) To raise, receive and hold funds, from any lawful source and to manage, administer and disburse those funds in pursuance of the objectives of the agency.*

## **Establishment Phase Projects**

### **Mkuze Regional Airport**

*The current status of the development is the following*

1. *The Final draft report is to be presented to EXCO by end of June 2009*
2. *60 day's Delay in the presentation is attributed to two main factors:*
  - a. *The Global economic melt down has had a severe impact on Air Travel and as such this was according to our specialist observers not adequately addressed.*
  - b. *The feasibility study in total cost R3.4m of which R2.4m was budgeted for by DBSA and the remainder by IDC. However the new Chief operating officer at DBSA overturned the Sustainable Community funding committee recommendation.*

*He requested more detail and this has been done and the matter is now resolved and money will be disbursed in the next 30 to 60 days.*

### **Jozini Hydro**

*The hydro project inception report is to be presented to a full specialist panel and the UMDA on Friday 5<sup>th</sup> June 2009. This will pave the way for the compilation of a detailed feasibility and business plan by August 2009*

### **Remarks by CEO**

*I want to stress the importance of the two projects in the approach, they are both high cost projects and need to be thoroughly investigated as to the possible impact on both the economy and the client The District Municipality and the Taxpayer.*

*Secondly it is important that these two projects be handled in a professional and developmental manner as it is the two headline projects for the Sustainable Community Program MOU and as such will pave the way for further financial input into the district.*

*We need to acknowledge that the DBSA is investing a large amount of money and time into this program and as such needs to have all aspect well covered in order to continue support to our district economy.*

### **New Office location**

*The Umhlosinga Development Agency is to be relocated to its original office in Mtubatuba; the UMDA is now fully staffed and as such. **New physical Address: 308 Ebony Crescent Mtubatuba.***

*We want to remind ourselves of our mandate and mission as this is the basis of our existence and the core reasons for the establishment. As an Economic development body we have identified four areas of strategic intervention, namely Agriculture, Property Development, Tourism and Industry (incl: Mining).*

*The landscape of Economic development has had to face some grave challenges in the last 12 months relating to the world wide economic meltdown, and these challenges have an impact on Economic activities wherever they take place.*

*The immediate effect it has on our economy is that new activities will become scarce and as a district, we will have to look at our strengths.*

***The following are some of our strengths viz; Climate, Land, Game Parks, Lebombo Mountains, Isimangaliso, Sodwana the N2 Mozambique, Swaziland and lastly and most importantly the eager community and people that are thirsty for Economic change.***

*The UMDA and its Strategic Partners have signed an MOU for economic development in UMkhanyakude. This document lays down the fundamentals of economic co-operation within the district. The main signatures to this document being UMkhanyakude district Municipality, Ingoyama Trust, 11 tribal Authorities, DBSA, IDC and the Department of Local Government. The MOU will lay the ground for the implementation of the Sustainable Community program in the district and will serve as guild and commitment by all to actively take part in the economic and social development of the District of UMkhanyakude.*

*The UMDA strategic direction and action plans for the 2009\2010 reporting year is done in the backdrop of its donor funding and the terms and conditions placed on it. The Key performance Arias of the UMDA (See Annexure A :) are lined to the availability of the IDC budget, and this term will see the UMDA making some bold interventions in to Agriculture*

## **AGRICULTURE**

*The launch and involvement of several projects will see us starting to address the backlog in economic activity within the Agricultural sector. This is one of our untapped areas with a lack of direction and partnerships that make Economic sense. It is our opinion that strong partnerships need to be established amongst land owners, producers and retailers to create a sustainable value chain economic development.*

*The UMDA will continue to engage possible partnerships in the district and encourage both local and national companies to look at partnering to establish agribusiness.*

## TOURISM

*The continued support to the ECTA in specific marketing will be addressed by the appointment of a staff member that will not only be involved in the development and transformation of the industry but will assist in the destination marketing of Elephant coast.*

*The marketing of new investment opportunities in the industry will be a focus for the 2009\2010 and beyond. The identification of new possibilities and the strengthening of current products should be a priority. The main focus will be based on opening up the new tourism destination for the visitors. This project will compliment the development of the Regional Airport.*

## CURRENT PROJECTS:

- 1. Rhino Hotel complex N2 Bush lands the development of a 120-bed for hotel for tourist accommodation, a self catering facility with 40\*2 bedroom units and a Marine storage facility for Boat owners utilizing our beaches.*
- 2. The UMDA has started with the initial engagement of relevant institutions regarding the development of the Royal Elephant Route as a new destination in South Africa. This project will see the development of new products along the R22 and the Phelendaba Ingavuma roads this will eventually lead the tourist through Hlatikhulu forest back to Airport via Ubombo.*
- 3. Zulu Cultural Monument and Museum to be allocated at Bhambanana facing the Ingavuma River. This is first Cultural Tourism projects and will fit in with the initiatives identified by the Arts and Culture Heritage Agency plan to bring tourism to UMkhanyakude based on the very significant but underplayed importance of this region.*

4. *The development of six 2 Star level SMME establishments is a priority for the UMDA as this forms part of the marketing support to ECTA, the SED department of UMkhanyakude and ECTA will assist in the development of such SMME's. The UMDA will engage the Durban International Hotel School for the development of a program of 10 phases to develop these establishments to the required level.*
5. *New possibilities regarding Pongola Dam and surrounding areas as well as areas at Mfekayi.*

## INDUSTRY

*The UMDA has recognized the importance of development within the technical sector and as such will not only support the development of sugar production plants but further feasibility desktop studies are underway to look at other processing plants relating back to our agricultural industry.*

1. *The UMDA has placed a request with the DBSA for the detailed scan of Mineral deposits in the UMkhanyakude District. This project will see the identification of sites within the district for possible exploitation of mining prospect.*
2. *Production plants related to the agricultural industry, in an efforts to increase agricultural production in the district, the need for the establishment of Processing Plants will become logical next step this must be done as part of the Value Chain program of sustainable development. Several sites and possibilities will be investigated*
3. *Processing of Marula and Pineapple products in the Hluhluwe to Mbazwana towns as the most central points of departure.*
4. *IDC sugar Mill development, this project is in final Feasibility stages and we are awaiting confirmation as to its progression.*



## PROPERTY DEVELOPMENT

*The need to provide accommodation to the middle class in Umkhanyakude is an ongoing problem and we need to look at some innovative ideas to overcome this challenge. The UMDA has been investigating a few options but at this stage there are not any tangible solutions to the problem.*

*The one avenue is to acquire land from one or more tribal authorities and then go the DFA and EIA route. The UMDA is in the process of finalization of such a program of intervention.*

*Currently the UMDA has made an offer to purchase land in Mkuze town. This property will have a threefold effect on the UMDA and the District. The property can be run as a Guest House secondly the property will be developed with the help of DBSA and IDC for rental housing for staff and other civil servants, finally the property will become the UMDA's first form of equity and as such will lessen the financial burden on the Parent body in this will also reflect positively on the financials of the District municipality.*

*The purchase will be done with a Grant Funding within the Sustainability Program total Grant application is R3m.*

## NEW PROJECTS AND MARKETING

*The CEO will for the first time since the inception of the UMDA be able to deal with matters of marketing, Lobbying and Product Development. The UMDA has had to comply with many challenges on the Administration and Local Government Legislation aspects and this was done with few staff and capacity.*

*The appointment of an Accountant and a Project Staff including LED cadets will enable the CEO to concentrate 100% of his time to the strategic matters including the development of a Strategic Economic Plan for the district economy.*

*The UMDA will continue to engage new projects and will evaluate these projects with the relevant strategic partners UMkhanyakude District, IDC, DBSA and Private Sector Business.*

*The continued marketing of investment in the district at the main Investment Conventions held annually will continue. The marketing of UMkhanyakude as a new tourist destination and Economic Possibilities will be the main focus. However a carefully developed plan of engagement will pave the way for effective marketing strategy and products that are investment orientated.*

*The UMDA, SED and the department of Communications UMkhanyakude will produce a monthly News paper to be distributed at the municipalities, shops, garages and other important community centers. The aim of this publication is to communicate effectively with the community and the visitors to our district.*

*The UMDA would like to look at the publication as a Self- Finance project within the first 4-6 months to ensure the sustainable development of this publication into a feasible alternative to the other regional publications.*

## KEY PERFORMANCE AREAS IN THE 2008\2009 FINANCIAL YEAR.

Establishment Phase\ First Operational Milestones	Outcome	Month	Year
Awarding of Airport feasibility and Business Plan	After intense engagements with DBSA, SSI and UMDA the feasibility final draft will be presented to EXCO by June 2009	8	2008
	A further delay was caused due to the delay in the MOU signing and the availability of Finance for the completion of study.	6	2009
Awarding of the Hydro Electrical Feasibility study	Currently underway the final draft will be presented to UMDA by August 2009	8	2008
		8	2009
Recycling due to allocation of budget in May 2009 this implementation is delayed	To be linked to Solid Waste Program of DC 27	7	2009
Marula May 2009 this implementation is delayed	Project steering committee formed and co-operatives in place funds from DED KZN has been made available	7	2009
Alternative Energy Expansion May 2009 this implementation is delayed	This project is to be implemented as soon as the feasibility of Hydro has been completed.	10	2009
UMkhanyakude News paper	Establishing a District wide news paper to be to focus on district News and events, to ensure effective communication.	5	2009
Full staffing for optimal operations	Accountant was appointed	4	2009
Staff recruitment to deliver on Operational program	Tourism and marketing Manager Appointed	5	2009
DTI LED Cadet program application	Two cadets seconded to UMDA	4\7	2009
Corporate Governance training	4 Board members, COO and CEO attended Corporate	6	2009

Establishment Phase\ First Operational Milestones	Outcome	Month	Year
	governance training.		
Agricultural projects Identified	Steering committee to be formed after the successful first initiation meetings, DBSA will incorporate the SCP (Sustainable Community Program) principles in the project and will be assisting in Infrastructure and support to project.	4	2009
PANNAR SEED producing of seed high value crops in collaboration with Sqakathi Tribal Authority		7	2009
Sugar association Formed	Establish a forum for emerging farmers in the sugar industry district wide. Assisting them in the establishment of a Cane Growers Association.	10	2008
		7	2009
Application to purchase property at Mkuze Town	Grant funding application submitted to DBSA sustainable Community program	4	2009
Application for Mining survey		4	2009
Solid Waste Management service Level Agreement		7	2009
Strategy 2009 the way forward UMDA	UMDA Strategy session	7	2009

## STRATEGIC RELATIONSHIPS

*The UMDA has in the 18 month of Pre- Establishment phase been able to build strong relationships that have a strategic value to our operations.*

### **SED UMkhanyakude**

*The close relationship we have between the Department of Social and Economic Development is a vital part of ensuring support to the Agency from all quarters of the Public and Private sector.*

*With the continued support of the parent body under difficult circumstances we are able to continue with our tasks.*

### **The DBSA**

*Amunga Andanje of the development Bank and the support structure that comes with him under the Sustainable Community Program has been pillar of hope and encouragement.*

*The technical, specialist and Financial support of the DBSA brings us as an Agency to a level that ensures service provider a world class reports and service.*

### **The IDC**

*The IDC as our donor has been a fundamental support structure in the establishment of our programs. The additional support in the form of the LED Cadet Program is of great benefit as it brings qualified workforce from our district and empowers them and us to deliver on our mandate.*

### **Local Municipalities**

*The support that we enjoy from our Local Municipalities and their staff ensures that the IDP of the district remains a focal point in our delivery of a sustainable economy.*

*The expansion of our horizon in the 2009\2010 year will see the CEO and SED build new relationships that will directly benefit the programs that we currently have within the district*

*However there needs to be more collaboration with regards to cooperative development and the implementation of a Value Chain Based strategy that would assist the economy to grow in a more inclusive and sustainable manner.*

### **HUMAN RESOURCES**

*I do believe that the district LED Unit and the UMDA should work very close and should have synergy in identifying resources and management of projects. The district has an ideal opportunity to utilise the CEO and the EXEC Dir SED for strategic interventions. This pertains to lobbying, Investment Marketing and driving the process of establishing a 20 year development strategy. This should happen while work is being done on the ground. I am perfectly willing to avail my staff to work closely with the SED on an integrated approach.*

*While the CEO will continue to identify new opportunities these opportunities must immediately find synergy within the IDP process. The UMDA should act as a support arm to the District Economic Strategy, but there needs to be a well planned economic growth strategy in place. There is no blurring of functions as large projects are identified assessed and feasibility done by both institutions. The CEO supported by staff is to promote project with all possible investors and monitor the implementation of such projects Enquiries with sustainable community program.*

*The Co-ordination of UMDA staff can be done by the LED Director as is currently the case. This will ensure that when a project is identified by either SED or UMDA the impact can be assessed, and if the project is an investment driven project it should be transferred to the CEO's office. If it is determined that the project be smaller non investment driven and or poverty alleviated nature should be referred to the Executive Director SED.*

*We do believe that the UMDA has a strong relationship with SED and therefore a closer more efficient working model should be looked at. The CEO is mandated to utilize all resources of the UMDA to drive market and facilitate the economic growth in UMkhanyakude and this speaks to large scale initiatives. The SED is well aware of its mandate it is therefore an opportunity to ensure that there is no duplication, wasteful expenditure and the maximum utilisation of all resources.*

## **FINANCIAL RESOURCES**

*The development of a 20 year Economic strategy is a very important facet of our implementation of economic development and as such the need to engage a variety of people for the development of such a strategy plan. The CEO and Executive Director SED need to allocate funds to engage professionals on the economic and historic front to ensure that such a plan not only developed but that it becomes the basis for development by the people of UMkhanyakude.*

*We will continue to increase our efforts to achieve our mandate objectives, bearing in mind that the macro intervention in to our economy will not happen overnight. Regarding the immediate future board will have a strategy planning and review in July 2009; this will be the most important in the life of the Agency as it will determine the main focus arias of the UMDA for the long, medium and short term KPA's to be achieved.*

## COMMENTS BY CHIEF EXECUTIVE OFFICER

*It is very important to note that the UMDA will only be spending resources on the KPA's as determined by the Strategy of the UMDA board of Directors. This is to be finalized on the 23<sup>rd</sup> of July 2009.*

*The main reason for the indication of a loss is placed against the fact the financial support from the DBSA is only to be transferred to the UMDA in the new financial year. This funding will be allocated to the creditors outstanding.*

*The UMDA has placed advertisements for the invitation of qualified individuals from the public to act as Audit Committee Mr Steven Nell from IDC has been invited to tend as member of Audit Committee. Mrs. Janice Dodkins member of the Board of Directors will serve as member in terms of board resolution.*

*The UMDA has achieved an Unqualified Audit with matters pertaining to Audit committee and going concern.*

*The UMDA has achieved 70% of its establishment phase and as such is on track to comply with its mandate as and LEDA. The new financial year will see the implementation of the Mkuze Airport and the Jozini Hydro. Partnerships with Pam Golding and MTN of variety of development initiatives.*

*The UMDA as founding member of the LEDA CEO forum hosted a successful conference in June and as such have strengthened the process and contributed positively to the Development Agency program.*

*The UMDA will continue with the "UMkhanyakude News".*

*The UMDA was joined by two well capacitated and educated individuals this year Miss Angel Mbokazi as Accountant was given the task of steering the UMDA both as financial Manager and Company Secretary .The outcomes of the 2008/2009 audit was an achievement on its own and she is proving to be an asset to the UMDA.*



*Miss Nonhlanhla Biyela joined the UMDA as Marketing and Tourism Manager and her professionalism and dedication to the UMkhanyakude District is evident in the work she has delivered to date. The successful process of the “UMkhanyakude News” has in effect been achieved by her ability to take initiative; I am looking forward to her continued good work in the new financial year.*

*The UMDA has a great and dedicated Board of Directors and these men and Lady have again proved themselves to be developmentally minded and as such I would like to congratulate them and thank them for their support and work during this year.*

*The Parent body in the form of UMkhanyakude District municipality is the main reason why the UMDA is able to achieve its mandate. The progressive and bold council and management has once again been very accommodating in the helping the UMDA grow from strength to strength.*

*I want to thank his worship the mayor Cllr LM Mthobeni and the EXCO for their dedication and time .The last word of thanks is to management in the form of acting municipal Manager Mr. Siphso Mathobela both as social development Executive Director and MM he has shown support and capacity to the UMDA and we salute his work.*

## **SPECIFIC PERFORMANCE ACHIEVEMENTS**

- 1. Successful delivery and facilitation of the Mkuze Airport Feasibility Plan.*
- 2. Successful delivery and facilitation of the Jozini hydro Feasibility Plan.*
- 3. Successful securing R5m of Funds from DBSA towards payment of the abovementioned feasibilities.*
- 4. Completion of the Sustainable Community MOU.*
- 5. Although it is a given that good financial controls needs to be done we achieved other Unqualified Audit but with matters, these will and have been mostly addressed since Audit and it is believed that next Financial Year will be no matters.*
- 6. Both Mkuze Airport and Jozini Hydro has been approved by EXCO to be implemented.*

***Alroy Gericke, Chief Executive Officer***

### ***Comments from the Chairman of the Board***

*Very good and Extensive report kindly, I will in future with regards to meeting with Tribal Authorities and EXCO. This is in support of the relationship with the parent body in terms of condition as laid down by the Mayor.*

*More engagement between me and the Mayor will be promoted to ensure that as Chairman of the Board I assist in the relations between district and the UMDA.*

***Rev HAS Fakude, Chairman of the Board of Directors***

## **Annexure A**

### **1<sup>st</sup> Tranche of 1<sup>st</sup> Operational Phase**

<b>Key Performance Objective</b>	<b>Strategy</b>	<b>KPI</b>	<b>Estimated Cost Outputs 2008-2009</b>	<b>Estimated Time lines</b>	
<b>Sustainable Communities and Economic transformation</b>	<ol style="list-style-type: none"> <li>To recycle waste in the district.</li> <li>To manufacture products from Marula fruit and nuts/ To compliment current project, with additional by products from the current drying process.</li> <li>engage medical practitioners in the district to set up a top class medical facility</li> </ol>	<ol style="list-style-type: none"> <li>Feasibility study for byproducts and recycling</li> <li>Feasibility study</li> <li>Feasibility study</li> <li>Feasibility and Business Plan</li> </ol>	<ol style="list-style-type: none"> <li>R 35 000.00</li> <li>R 85 000.00</li> <li>R 25 000.00</li> </ol>	<p>4months ( Feb/June )</p> <p>3months (Feb /may)</p> <p>4months(Feb /June)</p> <p>2months(June /July )</p>	
			<ol style="list-style-type: none"> <li>1. <b>Recycling</b></li> <li>2. <b>Marula Production/ Pineapple By products</b></li> <li>3. <b>Private Hospital</b></li> </ol>		
<b>Renewable Energy</b>	<ol style="list-style-type: none"> <li>Generate electricity through out the district</li> <li>Generate 25MW to 40MW of renewable</li> </ol>	<ol style="list-style-type: none"> <li>To have completed Business Plan and Design Plans for Hydro generation</li> <li>Feasibility for Solar generation to compliment Hydro</li> <li>Feasibility on Wind Generation</li> </ol>	<ol style="list-style-type: none"> <li>R 300 000.00</li> <li>R 70 000.00</li> <li>R 70 000.00</li> </ol>	<p>7months (March/Sept)</p> <p>5months ( Feb /June)</p>	

	Green Electricity			5months( March /july)
<b>Mkuze Airport</b>	Provide Air-Travel to and from the district and to increase economic activity as a result of the Airport	1. Business and Design Plans	R400 000.00	4months(March /July)
<b>Operational sustainability</b>	To become Financially independent from Donor Organizations	Business plan and lobby work with DEPT transport and NRA	R 40 000	5months(March /july)
<b>Add Boards</b>	Advertising Boards	Feasibility Study for the Construct Office park central to district	R 40 000	2months(fe b/april)
<b>Office Park</b>	Office Park	Lobby work	R 25 000	3months(a pril /july)
<b>Concessions</b>	Obtaining of two Concessions			
<b>Elephant Coast Tourism</b>	Have 50 BEE\BBBEE sustainable Tourism product owners by December 2009	Establish BBEE charter and investment plan for SMME tourism operators	R 35 000	3months(fe b/may)
		Marketing of SMME product owners based on charter	R 150 000	3months(m ay /july)

<b>Royal Elephant Route</b>	Establish and new District Based Route to promote the Inner-Route and corridor	Feasibility and Business Plans for Cultural Museum Bhambanana	R 45 000	3months(m arch/may)
			R 50 000	
		Feasibility of 4 Adventure sport facilities between Hluhluwe and Ingavuma		4months(m ay/august)
<b>Agriculture UMkhanyakude</b>	To manage the irrigation scheme on behalf of the Department of Agriculture	Feasibility study and lobby work	R 40 000	3months(fe b/may)
		lobby and Capacity building	R 40 000	
<b>Mjindi</b>	To establish and facilitate the local Agriculture in preparations of the proposed Sugar Related Projects	Investigation and Plan	R 50 000	2months(M arch/june)
<b>Sugar Mill</b>		Feasibility and Lobby	R 35 000	3months(a pril/july)
<b>Market related Investment Plan</b>				3months(a pril/june)
<b>Agricultural\Technical School in District</b>	To commission an Investment strategy based on SWOT of the Agriculture industry and to formulate an investment plan			
	The establishment of an Grade 6 to 12 School for Agriculture and Technical			

skills in District

<b>Housing UMkhanyakude</b>	To provide housing for Middle-Class and Up-Market consumers currently having no housing access	Business Plan for rental Housing in Mkuze Town	R 35 000	2months(FebApril)
			R 40 000	3moinths(April/june)
		Business Plan for the Development of Land between Hluhluwe Town and N2		
<b>Operational Cost for Umhlosinga Development Agency</b>	First Six Month Operations of Office and Mandate	Human resource	R 500 000	6months(Feb/july)“
		Travel	R 150 000	
		Operational cost	R 49 320	
		Board	R 52 500	
		Other Cost (legal, Audit ext :	R 63 650	
<b>Total cost for Month 1 to 6</b>			<b>R 2,435,470.00</b>	



## **Annexure B**

### **Financials**

Umhlosinga Development Agency (Proprietary) Limited  
(Registration number 2004/016608/07)  
Annual financial statements  
for the year ended 30 June 2009

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Municipality Development Agency
<b>Directors</b>	H A S Fakude L F Mathenjwa W D Eckersley L E Mngomezulu J L Dodkins
<b>Registered office</b>	21 Klebe Street Mkhuze Kwazulu Natal 3001

**Business address**

Lot 308 Ebony Crescent  
Mtubatuba  
3935

**Auditors**

Auditor General South Africa

**Company registration number**

2004/016608/07

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

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

Detailed statement of financial performance	20 - 21
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# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Director's responsibility statement

The directors are required by the Generally Recognized Accounting Practices and Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 19, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2009 and were signed on its behalf by:

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**H A S Fakude**

# Independent Auditor's Report

To the member of Umhlosinga Development Agency (Proprietary) Limited

## **Emphasis of Matter**

Additional text

## **Other Matters**

Additional text

## **Report on Other Legal and Regulatory Requirements**

Additional text

## **Additional information**

## **Auditor General**

**Per:**

**31 August 2009**

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Director's report

### 1. Incorporation

The company was incorporated on 17 June 2004 and obtained its certificate to commence business on the same day. The company was originally incorporated under the name Maxi trade 42 General Trading (Proprietary) Limited and changed to Umhlosinga Development Agency (Proprietary) Limited on the 04 July 2006, and remained dormant until 01 January 2008 where the establishment phase commenced.

### 2. Review of activities

#### Main business and operations

The company is engaged in acting as an agent for and on behalf of Umkhanyakude District Municipality for the purpose of implementing economic, social and environmental policies and projects, as identified by or agreed with the local municipality economic development agency and all its business allied thereto and ensure the development of Umkhanyakude Municipality and its surrounding areas. The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net (deficit)/surplus of the company was (R 908 382) (2008: R1 362 691) after taxation of R 19 200 (2008: R48 785).



**3. Going concern**

We draw attention to the fact that at 30 June 2009, the company had an accumulated surplus of R 454 309 (2008: R1 362 691) and that the company's total assets exceed its liabilities. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

**4. Owners contributions**

There were no changes in the authorised or issued share capital of the company during the year under review.

**5. Directors**

The directors of the company during the year and to the date of this report are as follows:

<b>Name</b>	<b>Nationality</b>	
H A S Fakude	South African	
L F Mathenjwa	South African	
W D Eckersley	South African	
L E Mngomezulu	South African	
J L Dodkins	South African	
C E Rutherford	South African	<b>Resigned: 16/03/2009</b>

**6. Holding company**

The company's holding entity is Umkhanyakude District Municipality incorporated under the Municipality Act of South Africa.

**7. Auditors**

Auditor General South Africa will continue in office in accordance with Section 4 (1) (e) of the Public Audit Act No.25 of 2004.

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Statement of financial position

		2009	2008
	Note	R	R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	47,755	12,867
		<hr/>	<hr/>

**Current Assets**

Receivables from non-exchange transactions	3	-	23,801
Cash and cash equivalents	4	1,561,631	1,565,336
		<hr/>	<hr/>
		1,561,631	1,589,137
		<hr/>	<hr/>
<b>Total Assets</b>		<b>1,609,386</b>	<b>1,602,004</b>
		<hr/> <hr/>	<hr/> <hr/>

**Net assets and Liabilities****Net assets**

Contributions from owner	5	100	100
Accumulated surplus		454,309	1,362,691
		<hr/>	<hr/>
		454,409	1,362,791

**Liabilities****Current Liabilities**

Taxes and transfers payable		67,986	48,785	
Trade and other payables from non-exchange transactions	6	897,406	2,895	2,895
VAT payable	3	36,664	-	
Accruals	7	152,921	187,533	
		<hr/>	<hr/>	
		1,154,977	239,213	
		<hr/>	<hr/>	
<b>Total Net Assets and Liabilities</b>		<b>1,609,386</b>	<b>1,602,004</b>	
		<hr/> <hr/>	<hr/> <hr/>	

## Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

For the six  
month period  
ending 30 June

### Statement of financial performance

	Notes	2009	2008
		R	
Government grants received	8		
Other income - tender document income		2,599,385	2,239,930
Operating expenses		-	18,421

		(3,557,140)	(1,002,687)
<b>Operating (deficit)/surplus</b>			
Interest Received	9	<b>(957,755)</b>	<b>1,255,664</b>
		68,573	155,812
<b>(Deficit)/Surplus before taxes</b>			
Taxation	10	(889,182)	1,411,476
<b>(Deficit)/Surplus for the year</b>		(19,200)	(48,785)
		<b>(908,382)</b>	<b>1,362,691</b>

## Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

### Statement of changes in net assets

	Owners contributions	Accumulated surplus	Total net assets
	R	R	R
Balance at 1 July 2007	100	-	100
Surplus for the year	-	1,362,691	1,362,691
<b>Balance at 30 June 2008</b>	<b>100</b>	<b>1,362,691</b>	<b>1,362,791</b>



<b>Balance at 1 July 2008</b>	100	1,362,691	1,362,791
Deficit for the year		(908,382)	(938,547)
<b>Balance at 30 June 2009</b>	<b>100</b>	<b>454,309</b>	<b>454,409</b>

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

For the six month period ending 30 June

## Cash flow statement

	Notes	2009	2008
		R	R
<b>Cash flow from operating activities</b>			
Cash receipts received			
Cash paid to suppliers and employees		2,599,385	2,239,930
		(2,632,355)	(816,891)
Cash generated from/(used in) operations	12		

Interest income		(32,970)		1,423,039
		68,573		155,812
<b>Net cash from operating activities</b>				
		<b>35,603</b>		<b>1,578,851</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	2			
		(39,308)		(13,515)
<b>Total cash movement for the year</b>				
Cash at the beginning of the year		(3,705)		1,565,336
		1,565,336	-	
<b>Total cash at end of the year</b>				
		<b>1,561,631</b>		<b>1,565,336</b>

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Notes to the annual financial statements

### 1. Basis of preparation

The annual financial statements have been prepared in historical cost basis and in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement and in a manner as required by the Companies Act of South Africa 1973 as follows:

#### Standard of GRAP

#### Replaced Statement of GAAP

GRAP 1 Presentation of Financial Statements

AC 101 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

AC 118 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in  
Accounting Estimates and Errors

AC 103 Accounting Policies, Changes in  
Accounting Estimates and Errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

**Terminology differences**

**Standard of GRAP**

**Replaced Statement of GAAP**

Statement of financial performance

Income statement

Statement of financial position

Balance sheet

Statement of changes in net assets

Statement of changes in equity

Net assets

Equity

Surplus/Deficit

Profit/Loss

Accumulated surplus/deficit

Retained earnings

Contributions from owners

Share capital

Distributions to owners

Dividends

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the statement of financial position, such as:

Receivables from non-exchange transactions, including taxes and transfers,

Taxes and transfers payable, and Trade and other payables from non-exchange transactions.

The amount and nature of any restrictions on cash balances are required.

**Standard issued but not yet effective**

GRAP24: Presentation of budget information in Financial Statements – issued November 2007: Compliance with this standard would only have had an effect on the presentation of financial statements.

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Notes to the annual financial statements (continued)

### 1.1 Property, plant and equipment

The cost of an item of office equipment, computer equipment and furniture and fittings are recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Office equipment is carried at cost less accumulated depreciation and any impairment losses.

<b>Item</b>	<b>Average useful life</b>
Office equipment	5 years
Furniture and Fittings	5 years

Computer Equipment

3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognized on a straight line basis in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## **1.2 Taxes and transfers payable**

### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the South

African Revenue Services, using the tax rates that have been enacted or substantively enacted by the statement of financial position date.

### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.



# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Notes to the annual financial statements (continued)

### 1.3 Owners contributions and Net Assets

A net assets instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own net assets instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from net assets until the owners contributions are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own net assets instruments. Consideration paid or received shall be recognized directly in net assets.

### 1.4 Provisions and contingencies

Provisions are recognized when:

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

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

Provisions are not recognized for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - The 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
- 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.

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

- the amount that would be recognized as a provision; and
- The amount initially recognized less cumulative amortization.

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Notes to the annual financial statements (continued)

### 1.5 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Grants related to income are funds received from the following donors:

- Umkhanyakude District Municipality
- Industrial Development Corporation

These grants are presented as a credit in the statement of financial performance.

**Umhlosinga Development Agency (Proprietary) Limited**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

**2. Property, plant and equipment**

**47,755**

**Reconciliation of Property, Plant and Equipment - 2009**

Office Equipment	13,515	6,737	-648	-2,928	16,676
Furniture and fittings	-	7,620	-	-106	7,514
Computer equipment	-	24,951	-	-1,386	23,565
	<b>13,515</b>	<b>39,308</b>	<b>-648</b>	<b>-4,420</b>	<b>47,755</b>

**Reconciliation of Property, Plant and Equipment - 2008**

	Opening balance	Additions	Accumulated Depreciation	Depreciation	Carrying Value
Office Equipment	-	13,515	-	-648	12,867
Furniture and fittings	-	-	-	-	-
Computer equipment	-	-	-	-	-
	<b>-</b>	<b>13,515</b>	<b>-</b>	<b>-648</b>	<b>12,867</b>

**3. VAT**

VAT Payable

36,664

-23,801

**Umhlosinga Development Agency (Proprietary) Limited**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

For the six month period ending 30 June

	2009	2008
	R	R
<b>4. Cash and Cash equivalents</b>		
Cash and cash equivalents consist of:		
Cheque Account	141,882	48,189
Call Account	1,419,738	1,517,147
Petty Cash	11	-
	<u>1,561,631</u>	<u>1,565,336</u>
<i>All bank accounts of the Agency are held at Absa Bank</i>		
<i>Cheque Account - 406 976 2605</i>		
<i>Call Account - 9200 378 551</i>		
<b>5. Contributions from owner</b>		
<b>Authorised</b>		
1000 Ordinary shares of R1 each	1,000	1,000
<b>Reconciliation of number of shares issued</b>		
Reported as at 01 July 2008	100	100

900 unissued shares are under the control of the directors. This authority remains

in force until the next annual general meeting.

**Issued**

Ordinary

100

100

**6. Trade and other payables from non-exchange transactions**

Trade Creditors

897,406

2,895

**Umhlosinga Development Agency (Proprietary) Limited**  
**Annual Financial Statements for the year ended 30 June 2009**  
**Notes to the annual financial statements (continued)**

**2009**  
**R**

**7. Accruals**

Accruals - SARS employee taxes	20,401
Accruals - Leave pay	37,270
Accruals - Audit fees	95,250
	<b>152,921</b>

**Reconciliation of accruals - 2009**

	Opening Balance	Additions	Utilized during the year	Total
Accruals - SARS employee taxes	82,368	20,401	-82,368	20,401
Accruals - Leave pay	30,165	7,105	-	37,270
Accruals - Audit fees	75,000	95,250	-75,000	95,250
	187,533	122,756	-157,368	<b>152,921</b>

**Reconciliation of accruals - 2008**

Opening Balance	Additions	Utilized during the year	Total
-----------------	-----------	--------------------------	-------

Accruals - SARS employee taxes	-	82,368	-	82,368
Accruals - Leave pay	-	30,165	-	30,165
Accruals - Audit fees	-	75,000	-	75,000
	-	187,533	-	<b>187,533</b>

**8. Grants  
Received**

Industrial Development Corporation		1,949,846
UMkhanyakude District Municipality		649,539
		<b>2,599,385</b>



**Umhlosinga Development Agency (Proprietary) Limited**  
 Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

For the six month  
 period ending 30  
 June

	2009 R	2008 R
<b>9. Interest Received</b>		
Bank	68,573	155,812
	<u>68,573</u>	<u>155,812</u>
 <b>10. Taxes and transfers payable</b>		
Major components of the tax expense		
<b>Current</b>		
Local income tax	19,200	48,785
	<u>19,200</u>	<u>48,785</u>
 <b>11. Auditors' remuneration</b>		

Fees	<u>95,250</u>	<u>75,000</u>
<b>12. Cash generated from/(used in) operations</b>		
Surplus/(Deficit) before taxation	-889,182	1,411,476
<b>Adjustments:</b>		
Depreciation	4,420	648
Interest Received	-68,573	-155,812
Movement in accruals	-34,611	187,533
<b>Changes in working capital:</b>		
Receivables from non-exchange transactions	23,801	-23,801
Trade and other payables from non-exchange transactions	931,175	2,995
<b>Cash generated from/(used in) operations</b>	<u><u>-32,970</u></u>	<u><u>1,423,039</u></u>

**Umhlosinga Development Agency (Proprietary) Limited**  
 Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

	2009	For the six month period ending 30 June 2008
	R	R
<b>13. Directors' Fees</b>		
Fees paid to the directors during the year were for the following service		
<b>Non-executive</b>		
For services as directors	<u><u>102,647</u></u>	<u><u>19,350</u></u>
<b>14. Management Remuneration</b>		

**Chief Executive Officer - AX Gericke**

Basic Salary ( inclusive of annual bonus)	462,000	211,150
Travel Allowance	108,000	36,000
Cell phone allowance	10,200	3,600
	<hr/>	<hr/>
	<b>580,200</b>	<b>250,750</b>
	<hr/>	<hr/>

The above remuneration package was earned by Mr. AX Gericke, Chief Executive Officer of the company from 01 July 2008 to 30 June 2009.

**Umhlosinga Development Agency (Proprietary) Limited**  
Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

**2009**  
**R**

**For the  
six  
month  
period  
ending  
30 June  
2008**  
**R**

**15. Related Parties**

Ultimate Holding entity

UMkhanyakude District Municipality is a 100% shareholder in Umhlosinga Development Agency (Pty) Ltd.

Related party transactions

Telephone Expenses	94,370	36,173
Salary Cost	<u>555,169</u>	<u>232,049</u>
Grant Received	<u>649,539</u>	<u>268,222</u>

Related party transactions consist of expenses paid by UMkhanyakude District Municipality on behalf of Umhlosinga Development Agency (Pty) Ltd. The salary cost is that of the Chief Operating Officer who has been seconded to Umhlosinga Development Agency (Pty) Ltd.

**16. Unauthorized expenditure**

	Budget	Actual	Unauthorized
Employee costs	1,714,345	1,861,704	147,359
Goods & Services	75,000	103,416	28,416
Operating expenditure	48,300	141,160	92,860
	<u>1,837,645</u>	<u>2,106,280</u>	<u>268,635</u>

Unauthorized expenditure of R 268,635 was incurred during the year.  
Total expenditure was within the budget, however overspending of the total amount Appropriated for specific votes in the approved budget was incurred as indicated above.

**Umhlosinga Development Agency (Proprietary) Limited**  
**Annual Financial Statements for the year ended 30 June 2009**  
**Detailed statement of financial performance**

	<b>2009</b>	<b>For the six month period ending 30 June 2008</b>
	<b>R</b>	<b>R</b>
<b>Income</b>		
Grant received - Industrial Development Corporation	1,949,846	1,971,708
Grant received - UMkhanyakude District Municipality	649,539	268,222
	<b>2,599,385</b>	<b>2,239,930</b>
<b>Other Income</b>		
Tender fee income	-	18,421
Interest received	68,573	155,812
	<b>68,573</b>	<b>174,233</b>
<b>(Deficit)/Surplus before taxes and transfers payable</b>	<b>-889,182</b>	<b>1,411,476</b>
Taxes and transfers	-19,200	-48,785

**(Deficit)/Surplus for the year****-908,382****1,362,691****Operating expenses**

Accounting Fees	93,836	22,150
Advertising & Marketing	58,653	48,417
Auditors remuneration	95,250	75,000
Bank charges	5,459	2,010
Consulting and professional fees	6,110	33,202
Depreciation	4,420	648
Employee costs	1,861,704	618,883
Projects Costs	1,107,784	-
Entertainment	-	4,395
Minor assets expensed	-	7,132
Operating costs	32,117	2,035
Tender document fees	-	18,600
Rental - Office plants	-	1,715
Hire	-	7,864
IT Expenses	20,279	4,222
Legal expenses	-	1,251
Postage	1,502	925
Printing & stationery	26,015	9,251
Repairs and maintenance	15,228	228
Security	-	650
Subscriptions	-	499
Telephone and Fax	112,060	36,172
Training	27,726	22,075
Conference, Workshops and Seminar	21,175	

Travel - Local	67,822	- 85,363
	<u>3,557,140</u>	<u>1,002,687</u>

**Annexure C**  
**Audit 2009**



**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Umhlosinga Development Agency (Pty) Ltd which comprise the statement of financial position as at 30 June 2009 and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages [xx] to [xx].

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa 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 and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umhlosinga Development Agency (Pty) Ltd 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 Umhlosinga Development Agency (Pty) Ltd as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and the Companies Act of South Africa.

### **Emphasis of matters**

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

### **Basis of accounting**

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

### **Going concern**

10. While the entity has prepared financial statements on a going concern basis, there are indicators that its financial sustainability is under threat. These include the following:
  - Key performance areas as established from the strategic business plan were not fully achieved which could result in the entity failing to achieve its mandate in which case the grant funding may be withheld.
  - A loss of R908,382 was incurred in the current year.

These conditions along with other matters as set forth in the directors' report indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

### **Unauthorized expenditure**

11. As disclosed in note 16 to the financial statements unauthorized expenditure of R268, 635 were incurred in the current year. Total expenditure was within budget; however, overspending of the total amount appropriated for specific votes in the approved budget was incurred.

**Other matters**

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

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

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

**Unaudited supplementary schedules**

13. The supplementary information set out on pages [xx] to [xx] does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

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

14. The entity opened a credit card account with ABSA bank in March 2009, however, the new bank account details were not submitted to the parent municipality as required by section 86 of the MFMA.

15. The accounting officer did not submit quarterly reports on the implementation of the supply chain management policy to the board of directors which is a contravention of Supply Chain Management Regulation 6 and section 112 of the MFMA.
16. The entity does not have a list of accredited prospective service providers which is a contravention of Supply Chain Management Regulation 14 and section 112 of the MFMA.
17. The entity did not comply with section 127 of the MFMA as the 2007/2008 annual report was submitted to the parent municipality late.

### **Municipal Systems Act**

18. The entity does not have a service level agreement with its parent municipality, as required by section 93B of the MSA.
19. The fact that the entity has not complied with the applicable legislation listed above is indicative of non-compliance with section 93H(1)(b) of the MSA which requires the board of directors to ensure compliance with all legislation.

### **Governance framework**

20. 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**

21. 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 a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	?	
<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.		?
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		?
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	?	

<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.		?
<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 company had an audit committee in operation throughout the financial year.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		?
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The company had an internal audit function in operation throughout the financial year.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		?

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 95(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 106 of the MFMA.	<input type="checkbox"/>	
<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.	?	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	?	
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 Umhlosinga Development Agency against its mandate, predetermined objectives, outputs, indicators and targets section 87 of the MFMA.	?	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		?

22. Adjustments were made to the financial statements to ensure compliance with the GRAP basis of accounting and to correct the related party transactions that were not provided initially by the parent municipality. However, the financial statements submitted for audit and all requested information were provided timeously and management were on hand to respond to queries, both verbal and written, in a timely

manner. Risk management and internal control in the form of internal audit, audit committee and control measures were lacking resulting in non-compliance with legislation and regulations.

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

### **Report on performance information**

23. I have reviewed the performance information as set out on pages [xx]to [xx].

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

24. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives, set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

### **The Auditor-General's responsibility**

25. 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.

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

27. 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**

#### **Inadequate reporting on performance information**

28. The accounting officer of Umhlosinga Development Agency (Pty) Ltd did not submit a monthly report to the accounting officer of the parent municipality on the state of the entity's budget, as required by MFMA section 87(11)(g)(ii).

#### **No mid-year budget and performance assessments**

29. The performance assessment of Umhlosinga Development Agency (Pty) Ltd was not performed by the accounting officer during the first half of the financial year resulting in a contravention of section 88 of the MFMA.

## **APPRECIATION**

30. The assistance rendered by the staff of the Umhlosinga Development Agency (Pty) Ltd 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*

## **BOARD OF DIRECTORS**

<b><i>CHAIRPERSON OF THE BOARD</i></b>	<b><i>REV DR HAS FAKUDE</i></b>
<b><i>DEPUTY CHAIRPERSON</i></b>	<b><i>MS JANICE DODKINS (CHAIR INTERNAL AUDIT COMMITTEE)</i></b>
<b><i>BOARD MEMBER</i></b>	<b><i>PROF L MATHENJWA (CHAIR HR&amp; REMUNERATION COMMITTEE)</i></b>
<b><i>BOARD MEMBER</i></b>	<b><i>DR MNGWANGO (INTERNAL AUDIT)</i></b>
<b><i>BOARD MEMBER</i></b>	<b><i>MR WILFRED ECERSLEY (HUMAN RESOURSE AND REMUNIRATION)</i></b>
<b><i>BOARD MEMBER</i></b>	<b><i>MR S MNGOMEZULU (HUMAN RESOURSE AND REMUNIRATION)</i></b>
<b><i>BOARD MEMBER</i></b>	<b><i>VACANT (INTERNAL AUDIT)</i></b>

## Staff

<i>Mr Alroy Gericke</i>	<i>Chief Executive Officer</i>
<i>Miss Thando Mthetwa</i>	<i>PA to CEO</i>
<i>Miss Joy Khosie Bhengu</i>	<i>Chief Operating Manager (Implementation)</i>
<i>Miss Angel Mbokazi</i>	<i>Accountant and Company Secretary</i>
<i>Miss Nonhlanhla Biyela</i>	<i>Tourism and Marketing Manager</i>
<i>Miss Nobuhle Nguni</i>	<i>Operational Secretary and Office manager</i>
<i>Miss Thobeka Ngcobo</i>	<i>LED (Cadet) 2009</i>
<i>Mr Musa Nxumalo</i>	<i>Manager Business Support Centre Hlabisa</i>

DRAFT ANNUAL REPORT

Period: 2008-2009

KPA 1: Service Delivery and Infrastructure Development

Performance Objective	Project Description	Key Performance Indicator (KPI)	2008/2009		Financial Implications	COMMENTS
			Projected	Actual		
To promote job creation and local economic development based on local SMMEs	to empower local SMMEs	20 local learnership contractors	100%	100%		
To provide sustainable bulk water infrastructure to Umkhanyakude communities	Sustainable basic services	Signed agreements with relevant stakeholders	100%	80%		
Finalisation of the Master Plan,	Access to basic sanitation	Master Plan finalised and approved by Council	100%	85%		
Preparation of Area Business Plans	WSDP development	Number of Business plans completed	100%	85%		
Upgrade of waste water treatment plants	To finalise waste water treatment upgrade funding with DWA and DCGTA	Funding for 10 plants approved by relevant departments	100%	0		
Compilation of infrastructure business plans	To plan for water reticulation infrastructure	Number of business plans completed	50%	0		
Implementation of water projects	To implement water projects	Number of projects implemented	100%	45%		
Compilation of sanitation business plans	To plan for sanitation infrastructure	Number of sanitation business plans completed	100%	0		Financial figures not available from Finance Dept.
Implementation of sanitation projects	To implement sanitation projects	Number of households provided with VIP Toilets	100%	10%		Financial figures not available from Finance Dept.
Finalisation of WSDP review	To finalise priority list for completion of WSDP		100%	85%		Financial figures not available from Finance Dept.
Alignment of CIP	To complete and align DM's CIP with LMs	CIP completed, aligned and approved	100%	100%		Financial figures not available from Finance Dept.
Identification and rehabilitation of non-functional scheme	To identify and rehabilitate non-functional scheme	Number of schemes identified and repaired	0	0		Financial figures not available from Finance Dept.
Water supply system refurbishment	To refurbish water supply system	Number of days without water		0		Financial figures not available from Finance Dept.
Ongoing repair and maintenance of existing boreholes	To repair and maintain existing boreholes	Number of boreholes repaired and maintained	0	0		Financial figures not available from Finance Dept.
Monitoring of water quality in accordance with minimum standards (SANS 241)	To provide clean and safe water to the consumers	Number of samples complying to the regulations	100%	30%		Financial figures not available from Finance Dept.
		Achievement of Green / Blue drop status	25%	10%		Financial figures not available from Finance Dept.
Development, approval and implementation of Customer Charter	To improve service delivery to customers	Customer Charter developed and approved	100%	0%		Financial figures not available from Finance Dept.
		Customer Charter implemented	Ongoing	0%		Financial figures not available from Finance Dept.
Implement Batho Pele principles		Reduction of water loss, increased revenue,	Ongoing	Ongoing		Financial figures not available from Finance Dept.
Awareness campaigns		Reduction of water loss, increased revenue	Ongoing	Ongoing		Financial figures not available from Finance Dept.
Monitor the Implementation of Free basic services policy	To provide indigent communities free basic services	Number of households receiving FBS (Water & Sanitation)	100%	65%		Financial figures not available from Finance Dept.
Implementation of households connections in KwaMsane and Ingwavuma	To implement electrification of household	Number of households connected	100%	50%		Financial figures not available from Finance Dept.
Repair and maintenance of existing electricity networks	To repair and maintain existing electricity networks	Number of breakdowns and outages	100%	100%		Financial figures not available from Finance Dept.
Approval of Electricity By-laws, ESDP and annual tariffs	To regulate and control electricity usage	By-laws, ESDP and annual tariffs approved (documents)	100%	50%		Financial figures not available from Finance Dept.
Construction of community facilities	To develop and improve recreational and community facilities	Number of facilities completed		0		Financial figures not available from Finance Dept.
Business plan development and approval	To plan for recreational facilities	Number of business plans developed and approved	0%	0%		Financial figures not available from Finance Dept.
Implementation of EPWP	To promote job creation and local economic development based on local SMME	Number of SMME developed (20)	50%	15%		Financial figures not available from Finance Dept.
Development of SDBIP and monitor departmental budget	To ensure financial viability and good asset management	Reduction in under-over expenditure in projects	Ongoing	Ongoing		Financial figures not available from Finance Dept.
		System developed to ensure proper management of assets	Ongoing	Ongoing		Financial figures not available from Finance Dept.

**KPA 2: Local Economic Development**

PERFORMANCE OBJECTIVE	PROJECT DESCRIPTION	PERFORMANCE INDICATOR	2008/2009		FINANCIAL IMPLICATION	COMMENTS
			Projected	Actual		
Strategy update and alignment with Local Municipalities' socio-economic planning imperatives.	Reviewed District LED Strategy	Approved reviewed document by Council.	100%	50%	R0.00	Got Council Resolution, but due To cash flow challenge, the review of strategy will be done in the 2009/2010 FY.
Transformed economic landscape of the district.	SMME and realisation of the BBBEE Objectives.	Development of SMME and BBBEE procurement. Database by 28/02/2009	100%	50%	R0.00	Need to partner with the provincial department of Economic Development.
Dealing with the backlog and provision of aftercare to the beneficiaries of the municipality's poverty alleviation programme..	Budget allocation and the actual procurement of projects.	Council approval and the delivery of projects.	100%	10%	R140 000.00	Sufficient funding to be sought from the provincial or national government.
Enabling SMMEs and cooperatives to participate meaningfully in the economy.	Capacity building and conference for SMMEs and cooperatives	Number of SMMEs and cooperatives enrolled in the District Municipality's Database.	100%	50%	R0.00	Need to initiate and roll out an integrated approach with Local Municipalities.
Training of SMMEs and Cooperatives by 30/03/2009	Development programmes for SMMEs		100%	50%	R0.00	Need for more capacity building for Local roleplayers.
To run a Business Retention and Expansion symposium	BER Symposium	BER Symposium by 28/02/2009	100%	0%	R0.00	Need to engage key private sector players in the initiative.
Development of a Marketing brochure	Marketing brochure developed by 30/03/2009	Development of marketing brochure	100%	0%	R0.00	UMDA to gather data and information.
Local municipality economic appraisal	Packaging the economic needs of all Local Municipalities in the District.	Identification of LED programmes and project with Local Municipalities stakeholders	100%	80%	R?	Need for further alignment of District and Local Municipalities' planning processes and objectives.
To strengthen Umhlosinga Development Agency.	Economic growth and job creation Capacitate the agency in areas they have identified by 30/06/09	Further investment on macro programmes and projects.	100%	80%	R0.00	To further capacitate and strengthen the administrative acumen of UMDA.
Support to Tourism projects in the District	Completion of the DLGTA Projects.	Umkhombeni Tours	100%	25%	1 500 000.00	Council resolved to instigate a forensic audit on the projects.
		Mpembeni project			150 000.00	
		Lake Tete project			400 000.00	
		KwaDapha			R0.00	
		Vukukhanye Mashabane			400 000.00	
Provision of reliable and credible information to Tourists	Provision of reliable and credible information to Tourists	Support to Tourism information centres	100%	100%	440 000.00	Review of the MOU to ensure a businesslike approach to the functioning of the centres.
Marketing of the Elephant Coast Tourism destination as a preferred destination.	Attendance and exhibiting at Tourism marketing shows and developing marketing brochures	Attendance of at least two shows.	100%	100%	R0.00	Involvement of local product owners, especially the HDIs.
To ensure SMME development through international exposure	Linkages of SMMEs with international provincial business.	Referrals of local crafters to international expos and exhibitions	100%	80%	R0.00	To create linkages with national and provincial government initiatives.
Umkhanyakude craft exhibition.	Umkhanyakude craft exhibition held by 30/03/2008	Exhibition of local products and talent.	100%	0%	R0.00	Regular improvement of brochure and websites.
Craft mentorship programme.	Building relationships between local crafters and markets.		100%	0%	R0.00	Regular training sessions and networking.
Tourism Heritage development	Revival and establishment of heritage destinations	Dingani's Grave, Mtubatuba statue and other heritage investigations done by 30/06/09	100%	0%	R0.00	Establishment of a rapport with the local House of Traditional Leadership and other resource persons.
Bird watching	Establishing the Bird-watching route	Link with the Zululand Birding Route Association.	100%	50%	R0.00	Research on the cost benefits of the industry.
Collection of data on the specie.	Collaboration with the Provincial Department of Agriculture and Environmental Affairs.	At least three meetings.	100%	80%	R0.00	Linkages with the provincial and national initiatives.
Environmental management framework	Environmental Management Framework by 30/06/2009	To get assistance from DEAT.	100%	50%	R0.00	Request technical and financial support from DEAT.
Mkuze airport environmental management plan	Environmental management plan	Development and approval of a Feasibility Study and Business Plan.	100%	80%	R0.00	Request technical and financial support from DEAT. Request technical and financial support from DEAT.
Development of a 2010 and beyond District Growth and Development Strategy	District Growth and Development Strategy	Council approval.	100%	50%	R0.00	Request Council to consider the development of Public Viewing Areas (PVAs).
Destination marketing and promotion.	Domestic trade and consumer show	Attendance of at least two shows.	100%	50%	R0.00	Printing of more brochures.
Ensure food security for the indigents.	Number of people accessing social grants.	80% of qualifying people from the vulnerable groups	100%	50%	R0.00	Collaboration with sector department and information dissemination to deep rural areas of the District.
Approved Environmental Management Plan.	Procurement of a service provider to Develop Plan for Establishment of a District Coastal Management Working Group by 30/03/2009	Approval by Council.	100%	50%	R0.00	Research of the initiative and involvement in the provincial Coastal Management Forum.
Review the District Integrated Waste Management Plan.	Alignment of the approved document with LM plans.	Review of IWMP by 30/06/09	100%	80%	R0.00	Provision of capacity at a Local Municipalities' level.
Integrated land and economic development of the district.	ExCo to approve the Draft SDF document.	Alignment with Local Municipalities SDF documents by 30/06/09	100%	100%	R0.00	To ensure the alignment of the SDF with those of Local Municipalities.
Establish of a shared service support with local municipalities.	Established shared service capacity.	Functional Planning Unit.	100%	50%	R0.00	Appointment of suitably qualified Planners.

**KPA 3: Institutional Transformation and Development**

Performance Objective	Project Description	KEY PERFORMANCE INDICATOR(KPI)	2008/09		FINANCIAL IMPLICATION	COMMENTS
			Projected	Actual		
Development of strategic operational plan for Corporate Services Department-09/10	Consult legislative mandates, i.e. Acts, Polices, Resolutions and the IDP	Finalize operational plan	Operational plan finalised	Daily consulted	30 000	Policies need to be reviewed
	Coordinate inputs from various sections i.e. HR, Admin., Committee support, Skills Development and IT			Inputs coordinated into an operational plan		
	Organise workshop to finalise the Operational Plan			Operational Plan finalised on the 4th April 2008		
	Consult the operational plan and finalize work plans for different sections	Finalized work plans in place		Work plans for different sections finalised		
Coordination of departmental management and staff meetings	Organise management meetings	24 departmental management meetings held				
	organise staff meetings	12 departmental meetings held		4 departmental meetings held		
Coordination of monitoring and support session with section heads	Coordinate one on one monitoring and support sessions with section heads	4 monitoring and support session held				No one on one session held
<b>Financial Management</b>						
Effective and efficient management of budget	Implement budget	Dedicated budget available		Procurement plan for 2008/09 is available	14 604 698	Insufficient budget
	Develop procurement plan	Procurement Plan in place				
<b>Policy Development</b>						
Review of existing policies	Review the following policies: Acting allowance policy Telephone calls policy Recruitment policy Overtime policy	6 Policies approved by Council	Review policies	Recruitment and selection policy reviewed		Recruitment and selection policy not yet approved by Council
						Five policies still to be reviewed
Development of new policies	Develop new policies	New policies approved by council	Develop new policies	Draft policy on official attendance at memorial and funeral services finalised.		Policy not yet approved by council
Development of organogram	Review organogram	Approved organogram	Organogram approval	Organogram approved	50 000	Some posts not available in the organogram
Levels of black staff employed in management	Executive Directors, Directors and Managers	24 black managers	Nil		24	
Women employed by the municipality	Employment Equity	44 women employed	Nil		44	
Youth employed by the municipality		66 youth employed	Nil		66	
Disabled staff employed by the municipality		1 disabled employed	Nil			1
Workplace Skills Plan	Skills Development	Yes		1	1	
Budget Spent on Workplace Skills Plan	Skills Development	35.23%			355 907.30	
Surveys conducted	Nil		Nil			
Communication Strategy	Emails/telefax and telephone system	No			1.5 m	
IT management Strategy	IT systems Management Abakus/PayDay/Zeus systems	Yes	Nil		200 000	



Filling of posts	Request departments to submit all vacant funded posts to be filled	100% funded vacant post filled	32 posts vacant	32 submissions received	3,5 million	Insufficient budget allocation
	Advertise vacant post			32 post were advertised		20 candidates not yet short listed
	Shortlist, select and appoint candidates			12 candidates shortlisted and appointed		
Finalization of Job Descriptions	Appoint consultant to finalize the Job Descriptions	Job Descriptions available	135 Job descriptions	Consultant appointed	50 000	
	Submit Job Descriptions for evaluation and approval (SALGBC)			135 JD's were submitted to SALGBC for evaluation		Still awaits the evaluation committee to finalize
	Submit Job Evaluation Report to Council for adoption					
<b>Termination of services</b>						
Death	Obtain death certificates, ID copy of the deceased and claimant, letter of appointment of executor and other relevant document	Signed termination register available		3 death claims submitted to Pension Fund	2,043,780.08	Delayed response from Pension Fund
	Submit notice of death with salary and leave report to finance			All notice of death submitted to finance for payment		Late submission of death certificates from families
Resignation	Termination from the system after approval of resignation by MM	Submission of resignation letter		All resigned employees terminated		
	Calculates and pay leave days			All leave days are paid timeously		
	Conduct exit interview	Exit interview		Two completed exit interview questionnaire received		Four exit interview questionnaire not yet received
Dismissal	Implement dismissal order	Dismissal order obtained		No dismissal occurred		
Management of leave system	Ensure that leave forms are properly completed Capture leave information on payday system Ensure that compulsory leave is taken during annual leave cycle Co ordinate annual leave roaster from departments Advise officials when leave is due Ensure that monthly report on leave is compiled	Properly completed leave forms		All leave forms are properly managed and updated on the payday system on weekly basis  Done on a weekly basis		Late submission of leave register by the employees Lack of adequate monitoring of leave registers from respective departments Not done due to systems limitation
Annual Leave						
Sick leave and Family Responsibility leave	Ensure that properly completed leave forms with supporting documents are submitted timeously			Completed leave application forms are received on a weekly basis		
Maternity leave	Ensure that leave forms are properly completed and submitted in advance			Completed leave application forms are received as and when it happens		
Transfer & Placement of Staff	Develop placement and transfer policy	Placement and Transfer policy developed		Draft placement policy is in place	Nil	Awaiting inputs to have an approved Placement policy
Deductions on salaries	Develop deductions register	Deductions register developed		Deductions register available		
Management of Labour relations	Ensure that staff complaints are attended to.	100% of complaints attended to.		All staff complaints attended to		Some complaints not finalised
	Ensure that disciplinary enquiries are finalised	100% finalization of disciplinary enquiries..		3 Disciplinary cases still to be finalised		Disciplinary cases not yet finalised
	Coordinate Local Labour Forum meetings	6 Local labour Forum meetings coordinated	Coordinate Local Labour Forum meetings	3 Local Labour Forum meetings held		Training of LLF members outstanding
	Develop records register for all staff cases	Records of cases attended to.		Record register for all cases available		

<b>EAP</b>						
Development of Employment Assistance Programme ( EAP)	Develop EAP policy Develop EAP data capturing	EAP Policy Developed		29 employees were referred to doctor		
<b>BATHO PELE</b>						
Development of Batho Pele Business Plan	Appoint champion Coordinate the input and needs from various departments Train staff and councilors on customer care  Distribute Batho Pele information  Develop information signs	Batho Pele Business Plan in place		Champion appointed  Champion has been trained in Batho Pele Programme  Six staff members attended the customer care training  Batho Pele information was circulated	70 000	
						Budget constrains
						Budget constrains
<b>Skills Development</b>						
Development of Employment Equity Plan(EEP)	Develop EEP and monitor implementation Develop EE report Submit to the DOL	EEP available  Employment Equity Report available (EE Report)	Develop EE Plan  Develop EE Report	EE Report compiled and submitted to the Dept. of Labour on 28 October 2008	50,000	No EEP developed
Implementation of Learnership Programme	Implement and monitor implementation of learnership	12 led Learners in the programme	12 learners be on programme	Nil	Nil	Funding was applied for from SETA but not approved
	Appoint the Service Provider and sign Learnership agreement	20 learners for financial management PLWD in the programme	20 learners be in the financial management	32 Learner admitted in the programme	440 000	Funding was applied for from SETA but not approved
	Sign funding agreement	12 IDP learners in the programme	12 learners be on programme		264 000	Learnership not implemented due to cash flow problem
Bursaries award	Advertise on notice board and select qualifying officials	15 bursaries awarded	15 bursaries awarded		200 000	Bursaries not awarded due to cash flow problem
Development of Workplace Skills Plan(WSP)	Implement and monitor WSP	WSP report available		WSP developed and submitted to SETA on 30 June 2009		
	Develop WSP and compile Annual Training Report(ATR)		Develop WSP and Compile ATR	ATR compiled and submitted to SETA on 30 June 2009		
	Develop training plan	150 staff members trained	150 staff members trained	80 staff members trained	Training budget	70 staff members were not trained due to budget constrains

Concilers training	Develop training plan	27 Concilers trained	27 Concilers trained	12 Concilers trained		15 concilers were not trained due to budget constrains
Induction workshop	Coordinates induction workshop	50 officials inducted	50 officials inducted			Induction policy not yet in place
ABET	Apply for funding from LGSETA	25 General workers on the programme		Funding agreement received from SETA		
Co ordination of KZN- Skills Development Forum (SDF) and District Council Forum (DCF)	Coordinate and conduct SDF and DCF meetings	4 SDF and 4 DCF meetings held	Coordinate 4 SDF and 4 DCF meetings	4 SDF and DCF meetings held	Entertainment budget	
Cleaning & Maintenance of premises	Clean offices, grounds and vehicles	Clean offices, grounds and vehicles	Clean offices, grounds and vehicles daily	Offices, grounds and vehicles are daily maintained		
Fleet management	Ensure proper maintenance of vehicles	All vehicles licensed and in good running condition	Proper maintenance daily and vehicle	All vehicles are maintained on regular basis	R5 m	
Registry and records management	Receive and record correspondence	Register of files and mail created	Register of files and mail created	All incoming and outgoing correspondence is registered on a		
Implementation of an approved filling system	Maintain filling system	Proper use of filling system		Filling system is in place		
To ensure Safety & Security of Municipal property	Appoint Security Company	Security Company appointed	Appoint Security Company	Safety and security service towards municipal property	R1 m	
Switchboard Operations	Monitor proper functioning of lines	Effective functioning of the telephone system	Install and monitor new telephone system	All telephone lines are functioning	R1.8 m	
Management of telephone system	Print telephone statements	Telephone statements printed & distributed		All telephone statement are		
<b>Committee Support</b>						
Coordination Council meetings	Compile and distribute agendas	Coordination of Council meetings		4 Council meetings held	Entertainment budget	Postponement of meetings due to non availability and or late submission of agenda items
	Arrange delivery of agendas			12 ExCo meetings held		
	Arrange venues and refreshments			77 Portfolio Committee Done		
	Take the minutes (Manual, electronic and audio			Done		
	Prepare and distribute resolutions and minutes			Done		
	File agendas and minutes			Done		
	Compile attendance records for Councilors			Done		
	Invite Councilors for Portfolio Committee ,ExCo and Council meetings			Done		
	Collect report from HOD's			Done		
Coordination of Mayoral Advisory Committee meetings	Compile agendas for Mayoral Advisory Committee	Meetings take place every Tuesdays		3 Mayoral Advisory Committee meetings held		Postponement of meetings due to availability
	Invite all Mayoral Advisory Committee members					
	Take minutes for Advisory Committee meetings					
	Distribute minutes to all members					
	Manage the diary for Councilors			Daily		
Management of S & T for Councilors	Collect and compile S & T claims for Councilors	S & T claims for Councilors are paid timeously in terms of MFMA regulations		Done		
	Submit S & T claims to MM office for approval			Done		
<b>IT MANAGEMENT</b>						
Satisfied Customers	Install fault Tracking system for IT queries and attend to fault reports through helpdesk	Help desk system installed	install fault tracking system	Fault Tracking System installed on 31 October 2008	200 000	Fault Tracking System not yet implemented due to staff shortage
Electronic Communication	Install new Email Server	New Email Server installed	install Email Server	New Email Server Software installed		
Improved electronic communication				Email accounts of LM's were		
	Develop and implement Website	Website Development	Develop Website	Tender advertised in June 2009		Awaiting for finalization of procurement process
	Follow up with DBSA to do configuration	LGNet Functional		Configuration completed by		
<b>Risk Management:</b> Implementation and monitoring of Disaster Recovery Plan	Implemented Disaster Recovery plan	Disaster Recovery Plan Approved	Develop IT Disaster Recovery Plan	IT disaster recovery plan approved on 18 June 2009 by		
	To keep backup tapes off site			Back up tapes taken off site on a		
<b>Maintenance of Servers &amp; Infrastructure:</b> Proper administration and maintenance of server & IT Infrastructure	Monitoring and maintenance of servers	Monthly analysis report		Servers are monitored and maintained on a		
	Implement Virtual Private Networking (VPN) Network	IT Infrastructure Upgraded	Upgrade IT infrastructure	VPN implemented on 30 April 2009		

**KPA 4: Good Governance and Public Participation**

PERFORMANCE OBJECTIVE	PROJECT DESCRIPTION	PERFORMANCE INDICATOR	2008/2009		FINANCIAL IMPLICATION	COMMENTS
			Projected	Actual		
Cultural Development	Mayoral Choral Music	staging of Mayoral Competition on the 10 October 2008	100%	100%	R137120.00	
	Umkhanyakude Religious leaders ForumLaunch	Staging of Umkhanyakude Religious Launch on the 07	100%	100%	R595 033.35	
To improve the livelihood of the poor, vulnerable groups	District Aids Council	4 Meetings Held	100%	100%	R10 000.00	
Creation of an awareness about the HIV/Aids pandemic in the	HIV/ AIDS Symposium	attendance of 5000 people. The function to be	100%	100%	R964 734.45	
To improve the livelihood of the people with Disability (PWD)	World Sight Day celwbration	Database on blind and deaf disability. Celebratted	100%	100%	R242 570.00	
	Learnership Programme	32 Learners affiliated and completed	100%	100%	R253 800.00	
	Umkhanyakude Day for Disable Person.	staging of the event on the 08 April 2009. Number of activities according to the plans implemented	100%	100%	R527 156.00	
Creation of a platform that will enable women to deliberate	Staging of a District wide women Celebration 2009	attendance of 5000 people. Staging of the	100%	100%	R257 399.00	
Compliance with the National and Provincial Disaster	Disaster Management Forum	4 Number of Meetings Held	100%	100%	R10 000.00	
Sport Development	KwaNaloga Games	District Participation at Provincial Games and obtained position 3. the games took place on the 04 -08 December 2008	100%	100%	R1 951 957	

**KPA 5: Municipal Financial Viability and Management**

PERFORMANCE OBJECTIVE	PROJECT DESCRIPTION	PERFORMANCE INDICATOR	2008/2009		FINANCIAL IMPLICATION	COMMENTS
			Projected	Actual		
To improve council liquidity	Debtor collection	Average debtors days outstanding	30 days turnaround time.	2% over 30 days; 3% over 60 days; 4% over 90 days; 91% over 120 days	R 53,666,785.00	There is a reasonable improvement on the relationship with the various debtors, to the extent that 218 large debtors valued at R2, 533, 723 has been signed within the District.
To ensure that payment of creditors is done promptly to avoid incurring interest	Creditors Payment	Creditors age analysis	30 days turnaround time.	creditors are paid as follows: 37% over 30 days; 34% over 60 days and 29% over 90 days	R 38,973,004.00	Due to the delay in the claim for drought relief from DWAF, coupled with the delay in the draw down of Equitable Share, certain service providers were not paid in time, this has resulted into the municipality getting plug into cash flow situation. The municipality has how managed to pay-off DBSA and ABSA loans, which has helped in the improvement of cash flow situation going forward.
To monitor budgetary compliance	Budget monitoring	%compliance with the budget time table	100%			Internal control measures instituted to ensure line item not overspent.
To provide an efficient, sound & sustainable support service to other departments	Monthly Reporting	Monthly income & expenditure reports presented at ExCo meetings				Monthly reporting is done on a monthly basis in terms of the MFMA and DoRA.
To safeguard councils asset	Asset register and barcoding	% of asset barcoded & recorded in the asset register	12			Full asset register has been completed by TAT-I-Chain
To provide efficient payroll support service	Payroll	Salaries must be in line with budget	R 48,539,940.00	R 50,733,694.00		Salaries are accurately calculated , and 3rd parties are paid in time to avoid paying interest on late payments.
Ensure that all tenders and orders are aligned with MFMA & SCM policy	Supply chain management (SCM)	% compliance with procurement	8 meetings	8 meetings		Compliance with procurement as per MFMA requirements is always emphasised. SCM Deviation form was established to try to curb non compliance with MFMA and SCM policy.
Ensure that all tenders and orders are in aligned with MFMA & SCM policy	SCM	% of MFMA compliant procurement contracts awarded				Ensure that all tenders are in alignment with MFMA & SCM policy
To ensure that AFS of the municipality are prepared and submitted in time to all relevant stakeholders.	AFS	Date of submission AFS	Financial statement ready for audit by 30 August	Submitted on 27 November 2009		Annual Financial Statements were submitted late due to the delay in the decomponertisation of assets of the municipality. This was done so that the presentation of AFS coplies with GRAP requirements
To provide an efficient, sound & sustainable support service	Reconciliation	Number of reconciliation completed within 10 days after month end over 12 moths	12 Recon	12 Recon		Reconciliation of all major accounts were done in order to ensure correctness of the AFS.

# UMDA 2008\2009 Annual Report

## ANNEXURE B



*“Opportunity  
through Development”*

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## **UMHLOSINGA DEVELOPMENT AGENCY 2008\2009**

*The Board of the Umhlosinga Development Agency is proud to present its Activity\Action Plan for the term 2009\2010. The Chief Executive Officer and his Chief Operational Officer has prepared a detailed plan that speaks to the Strategic and Operational mandate of the UMDA.*

### *Vision*

***An inclusive, thriving district economy that directly benefits equitably, all of the communities and residents of the UMkhanyakude District Municipality.***

### ***The Mission statement:***

***To coordinate, plan and manage the implementation of a locally-driven program to fast-track the development of the local economy of the District of UMkhanyakude.***

### ***Institutional Mandate.***

*The UMkhanyakude Development Agency will function as a Local Economic Development Agency (LEDA) – a dedicated entity responsible for the planning and implementation of a program of sustainable economic growth and development in the sub region. The District Municipality of UMkhanyakude has formally mandated the agency, to:*

- A) Act as an agent, for and on behalf of the district municipality, for the purposes of implementing an integrated and sustainable program of programme economic development in the area,*
- B) To identify, plan and manage the implementation of economic development projects in the District of UMkhanyakude, as agreed to with the district and/or local municipalities of the district;*
- C) To acquire, own and manage land and buildings, and/or rights to land and buildings, on behalf of the district and/or local municipalities, to be used for economic development purposes.*
- D) To act as receiver, manager and/ or coordinator of technical assistance and development funding from donor, public and private sector institutions/organizations for the discharge of its mandate.*
- E) To raise, receive and hold funds, from any lawful source and to manage, administer and disburse those funds in pursuance of the objectives of the agency.*



## **Establishment Phase Projects**

### **Mkuze Regional Airport**

*The current status of the development is the following*

- 1. The Final draft report is to be presented to EXCO by end of June 2009*
- 2. 60 day's Delay in the presentation is attributed to two main factors:*
  - a. The Global economic melt down has had a severe impact on Air Travel and as such this was according to our specialist observers not adequately addressed.*
  - b. The feasibility study in total cost R3.4m of which R2.4m was budgeted for by DBSA and the remainder by IDC. However the new Chief operating officer at DBSA overturned the Sustainable Community funding committee recommendation.*

*He requested more detail and this has been done and the matter is now resolved and money will be disbursed in the next 30 to 60 days.*

### **Jozini Hydro**

*The hydro project inception report is to be presented to a full specialist panel and the UMDA on Friday 5<sup>th</sup> June 2009. This will pave the way for the compilation of a detailed feasibility and business plan by August 2009*

### **Remarks by CEO**

*I want to stress the importance of the two projects in the approach, they are both high cost projects and need to be thoroughly investigated as to the possible impact on both the economy and the client The District Municipality and the Taxpayer.*

*Secondly it is important that these two projects be handled in a professional and developmental manner as it is the two headline projects for the Sustainable Community Program MOU and as such will pave the way for further financial input into the district.*

*We need to acknowledge that the DBSA is investing a large amount of money and time into this program and as such needs to have all aspect well covered in order to continue support to our district economy.*

### ***New Office location***

*The Umhlosinga Development Agency is to be relocated to its original office in Mtubatuba; the UMDA is now fully staffed and as such. **New physical Address: 308 Ebony Crescent Mtubatuba.***

*We want to remind ourselves of our mandate and mission as this is the basis of our existence and the core reasons for the establishment. As an Economic development body we have identified four areas of strategic intervention, namely Agriculture, Property Development, Tourism and Industry (incl: Mining).*

*The landscape of Economic development has had to face some grave challenges in the last 12 months relating to the world wide economic meltdown, and these challenges have an impact on Economic activities wherever they take place.*

*The immediate effect it has on our economy is that new activities will become scarce and as a district, we will have to look at our strengths.*

***The following are some of our strengths viz; Climate, Land, Game Parks, Lebombo Mountains, Isimangaliso, Sodwana the N2 Mozambique, Swaziland and lastly and most importantly the eager community and people that are thirsty for Economic change.***

*The UMDA and its Strategic Partners have signed an MOU for economic development in UMkhanyakude. This document lays down the fundamentals of economic co-operation within the district. The main signatures to this document being UMkhanyakude district Municipality, Ingoyama Trust, 11 tribal Authorities, DBSA, IDC and the Department of Local Government. The MOU will lay the ground for the implementation of the Sustainable Community program in the district and will serve as guild and commitment by all to actively take part in the economic and social development of the District of UMkhanyakude.*

*The UMDA strategic direction and action plans for the 2009\2010 reporting year is done in the backdrop of its donor funding and the terms and conditions placed on it. The Key performance Arias of the UMDA (See Annexure A :) are lined to the availability of the IDC budget, and this term will see the UMDA making some bold interventions in to Agriculture*

## **AGRICULTURE**

*The launch and involvement of several projects will see us starting to address the backlog in economic activity within the Agricultural sector. This is one of our untapped areas with a lack of direction and partnerships that make Economic sense. It is our opinion that strong partnerships need to be established amongst land owners, producers and retailers to create a sustainable value chain economic development.*

*The UMDA will continue to engage possible partnerships in the district and encourage both local and national companies to look at partnering to establish agribusiness.*

## TOURISM

*The continued support to the ECTA in specific marketing will be addressed by the appointment of a staff member that will not only be involved in the development and transformation of the industry but will assist in the destination marketing of Elephant coast.*

*The marketing of new investment opportunities in the industry will be a focus for the 2009\2010 and beyond. The identification of new possibilities and the strengthening of current products should be a priority. The main focus will be based on opening up the new tourism destination for the visitors. This project will compliment the development of the Regional Airport.*

## CURRENT PROJECTS:

- 1. Rhino Hotel complex N2 Bush lands the development of a 120-bed for hotel for tourist accommodation, a self catering facility with 40\*2 bedroom units and a Marine storage facility for Boat owners utilizing our beaches.*
- 2. The UMDA has started with the initial engagement of relevant institutions regarding the development of the Royal Elephant Route as a new destination in South Africa. This project will see the development of new products along the R22 and the Phelendaba Ingavuma roads this will eventually lead the tourist through Hlatikhulu forest back to Airport via Ubombo.*
- 3. Zulu Cultural Monument and Museum to be allocated at Bhambanana facing the Ingavuma River. This is first Cultural Tourism projects and will fit in with the initiatives identified by the Arts and Culture Heritage Agency plan to bring tourism to UMkhanyakude based on the very significant but underplayed importance of this region.*

4. *The development of six 2 Star level SMME establishments is a priority for the UMDA as this forms part of the marketing support to ECTA, the SED department of UMkhanyakude and ECTA will assist in the development of such SMME's. The UMDA will engage the Durban International Hotel School for the development of a program of 10 phases to develop these establishments to the required level.*
5. *New possibilities regarding Pongola Dam and surrounding areas as well as areas at Mfekayi.*

## **INDUSTRY**

*The UMDA has recognized the importance of development within the technical sector and as such will not only support the development of sugar production plants but further feasibility desktop studies are underway to look at other processing plants relating back to our agricultural industry.*

1. *The UMDA has placed a request with the DBSA for the detailed scan of Mineral deposits in the UMkhanyakude District. This project will see the identification of sites within the district for possible exploitation of mining prospect.*
2. *Production plants related to the agricultural industry, in an efforts to increase agricultural production in the district, the need for the establishment of Processing Plants will become logical next step this must be done as part of the Value Chain program of sustainable development. Several sites and possibilities will be investigated*
3. *Processing of Marula and Pineapple products in the Hluhluwe to Mbazwana towns as the most central points of departure.*
4. *IDC sugar Mill development, this project is in final Feasibility stages and we are awaiting confirmation as to its progression.*

## PROPERTY DEVELOPMENT

*The need to provide accomodation to the midle class in Umkhanyakude is an ongoing problem and we need to look at some inovative ideas to overcome this challenge. The UMDA has been investigating a few options but at this stage there are not any tangible solutions to the problem.*

*The one avenue is to acquire land from one or more tribal authorities and then go the DFA and EIA route. The UMDA is in the process of finalization of such a program of intervention.*

*Currently the UMDA has made an offer to purchase land in Mkuze town. This property will have a threefold effect on the UMDA and the District. The property can be run as a Guest House secondly the property will be developed with the help of DBSA and IDC for rental housing for staff and other civil servants, finally the property will become the UMDA's first form of equity and as such will lessen the financial burden on the Parent body in this will also reflect positively on the financials of the District municipality.*

*The purchase will be done with a Grant Funding within the Sustainability Program total Grant application is R3m.*

## NEW PROJECTS AND MARKETING

*The CEO will for the first time since the inception of the UMDA be able to deal with matters of marketing, Lobbying and Product Development. The UMDA has had to comply with many challenges on the Administration and Local Government Legislation aspects and this was done with few staff and capacity.*

*The appointment of an Accountant and a Project Staff including LED cadets will enable the CEO to concentrate 100% of his time to the strategic matters including the development of a Strategic Economic Plan for the district economy.*

*The UMDA will continue to engage new projects and will evaluate these projects with the relevant strategic partners UMkhanyakude District, IDC, DBSA and Private Sector Business.*

*The continued marketing of investment in the district at the main Investment Conventions held annually will continue. The marketing of UMkhanyakude as a new tourist destination and Economic Possibilities will be the main focus. However a carefully developed plan of engagement will pave the way for effective marketing strategy and products that are investment orientated.*

*The UMDA, SED and the department of Communications UMkhanyakude will produce a monthly News paper to be distributed at the municipalities, shops, garages and other important community centers. The aim of this publication is to communicate effectively with the community and the visitors to our district.*

*The UMDA would like to look at the publication as a Self- Finance project within the first 4-6 months to ensure the sustainable development of this publication into a feasible alternative to the other regional publications.*

## KEY PERFORMANCE AREAS IN THE 2008\2009 FINANCIAL YEAR.

Establishment Phase\ First Operational Milestones	Outcome	Month	Year
Awarding of Airport feasibility and Business Plan	After intense engagements with DBSA, SSI and UMDA the feasibility final draft will be presented to EXCO by June 2009	8	2008
	A further delay was caused due to the delay in the MOU signing and the availability of Finance for the completion of study.	6	2009
Awarding of the Hydro Electrical Feasibility study	Currently underway the final draft will be presented to UMDA by August 2009	8	2008
		8	2009
Recycling due to allocation of budget in May 2009 this implementation is delayed	To be linked to Solid Waste Program of DC 27	7	2009
Marula May 2009 this implementation is delayed	Project steering committee formed and co-operatives in place funds from DED KZN has been made available	7	2009
Alternative Energy Expansion May 2009 this implementation is delayed	This project is to be implemented as soon as the feasibility of Hydro has been completed.	10	2009
UMkhanyakude News paper	Establishing a District wide news paper to be to focus on district News and events, to ensure effective communication.	5	2009
Full staffing for optimal operations	Accountant was appointed	4	2009
Staff recruitment to deliver on Operational program	Tourism and marketing Manager Appointed	5	2009
DTI LED Cadet program application	Two cadets seconded to UMDA	4\7	2009
Corporate Governance training	4 Board members, COO and CEO attended Corporate	6	2009



Establishment Phase\ First Operational Milestones	Outcome	Month	Year
	governance training.		
Agricultural projects Identified	Steering committee to be formed after the successful first initiation meetings, DBSA will incorporate the SCP (Sustainable Community Program) principles in the project and will be assisting in Infrastructure and support to project.	4	2009
PANNAR SEED producing of seed high value crops in collaboration with Sqakathi Tribal Authority		7	2009
Sugar association Formed	Establish a forum for emerging farmers in the sugar industry district wide. Assisting them in the establishment of a Cane Growers Association.	10	2008
		7	2009
Application to purchase property at Mkuze Town	Grant funding application submitted to DBSA sustainable Community program	4	2009
Application for Mining survey		4	2009
Solid Waste Management service Level Agreement		7	2009
Strategy 2009 the way forward UMDA	UMDA Strategy session	7	2009

## STRATEGIC RELATIONSHIPS

*The UMDA has in the 18 month of Pre- Establishment phase been able to build strong relationships that have a strategic value to our operations.*

### ***SED UMkhanyakude***

*The close relationship we have between the Department of Social and Economic Development is a vital part of ensuring support to the Agency from all quarters of the Public and Private sector.*

*With the continued support of the parent body under difficult circumstances we are able to continue with our tasks.*

### ***The DBSA***

*Amunga Andanje of the development Bank and the support structure that comes with him under the Sustainable Community Program has been pillar of hope and encouragement.*

*The technical, specialist and Financial support of the DBSA brings us as an Agency to a level that ensures service provider a world class reports and service.*

### ***The IDC***

*The IDC as our donor has been a fundamental support structure in the establishment of our programs. The additional support in the form of the LED Cadet Program is of great benefit as it brings qualified workforce from our district and empowers them and us to deliver on our mandate.*

### **Local Municipalities**

*The support that we enjoy from our Local Municipalities and their staff ensures that the IDP of the district remains a focal point in our delivery of a sustainable economy.*

*The expansion of our horizon in the 2009\2010 year will see the CEO and SED build new relationships that will directly benefit the programs that we currently have within the district*

*However there needs to be more collaboration with regards to cooperative development and the implementation of a Value Chain Based strategy that would assist the economy to grow in a more inclusive and sustainable manner.*

## **HUMAN RESOURCES**

*I do believe that the district LED Unit and the UMDA should work very close and should have synergy in identifying resources and management of projects. The district has an ideal opportunity to utilise the CEO and the EXEC Dir SED for strategic interventions. This pertains to lobbying, Investment Marketing and driving the process of establishing a 20 year development strategy. This should happen while work is being done on the ground. I am perfectly willing to avail my staff to work closely with the SED on an integrated approach.*

*While the CEO will continue to identify new opportunities these opportunities must immediately find synergy within the IDP process. The UMDA should act as a support arm to the District Economic Strategy, but there needs to be a well planned economic growth strategy in place. There is no blurring of functions as large projects are identified assessed and feasibility done by both institutions. The CEO supported by staff is to promote project with all possible investors and monitor the implementation of such projects Enquiries with sustainable community program.*

*The Co-ordination of UMDA staff can be done by the LED Director as is currently the case. This will ensure that when a project is identified by either SED or UMDA the impact can be assessed, and if the project is an investment driven project it should be transferred to the CEO's office. If it is determined that the project be smaller non investment driven and or poverty alleviated nature should be referred to the Executive Director SED.*

*We do believe that the UMDA has a strong relationship with SED and therefore a closer more efficient working model should be looked at. The CEO is mandated to utilize all resources of the UMDA to drive market and facilitate the economic growth in UMkhanyakude and this speaks to large scale initiatives. The SED is well aware of its mandate it is therefore an opportunity to ensure that there is no duplication, wasteful expenditure and the maximum utilisation of all resources.*

## **FINANCIAL RESOURCES**

*The development of a 20 year Economic strategy is a very important facet of our implementation of economic development and as such the need to engage a variety of people for the development of such a strategy plan. The CEO and Executive Director SED need to allocate funds to engage professionals on the economic and historic front to ensure that such a plan not only developed but that it becomes the basis for development by the people of UMkhanyakude.*

*We will continue to increase our efforts to achieve our mandate objectives, bearing in mind that the macro intervention in to our economy will not happen overnight. Regarding the immediate future board will have a strategy planning and review in July 2009; this will be the most important in the life of the Agency as it will determine the main focus arias of the UMDA for the long, medium and short term KPA's to be achieved.*

## COMMENTS BY CHIEF EXECUTIVE OFFICER

*It is very important to note that the UMDA will only be spending resources on the KPA's as determined by the Strategy of the UMDA board of Directors. This is to be finalized on the 23<sup>rd</sup> of July 2009.*

*The main reason for the indication of a loss is placed against the fact the financial support from the DBSA is only to be transferred to the UMDA in the new financial year. This funding will be allocated to the creditors outstanding.*

*The UMDA has placed advertisements for the invitation of qualified individuals from the public to act as Audit Committee Mr Steven Nell from IDC has been invited to tend as member of Audit Committee. Mrs. Janice Dodkins member of the Board of Directors will serve as member in terms of board resolution.*

*The UMDA has achieved an Unqualified Audit with matters pertaining to Audit committee and going concern.*

*The UMDA has achieved 70% of its establishment phase and as such is on track to comply with its mandate as and LEDA. The new financial year will see the implementation of the Mkuze Airport and the Jozini Hydro. Partnerships with Pam Golding and MTN of variety of development initiatives.*

*The UMDA as founding member of the LEDA CEO forum hosted a successful conference in June and as such have strengthened the process and contributed positively to the Development Agency program.*

*The UMDA will continue with the "UMkhanyakude News".*

*The UMDA was joined by two well capacitated and educated individuals this year Miss Angel Mbokazi as Accountant was given the task of steering the UMDA both as financial Manager and Company Secretary .The outcomes of the 2008/2009 audit was an achievement on its own and she is proving to be an asset to the UMDA.*

*Miss Nonhlanhla Biyela joined the UMDA as Marketing and Tourism Manager and her professionalism and dedication to the UMkhanyakude District is evident in the work she has delivered to date. The successful process of the “UMkhanyakude News” has in effect been achieved by her ability to take initiative; I am looking forward to her continued good work in the new financial year.*

*The UMDA has a great and dedicated Board of Directors and these men and Lady have again proved themselves to be developmentally minded and as such I would like to congratulate them and thank them for their support and work during this year.*

*The Parent body in the form of UMkhanyakude District municipality is the main reason why the UMDA is able to achieve its mandate. The progressive and bold council and management has once again been very accommodating in the helping the UMDA grow from strength to strength.*

*I want to thank his worship the mayor Cllr LM Mthobeni and the EXCO for their dedication and time .The last word of thanks is to management in the form of acting municipal Manager Mr. Siphso Mathobela both as social development Executive Director and MM he has shown support and capacity to the UMDA and we salute his work.*

## SPECIFIC PERFORMANCE ACHIEVEMENTS

1. *Successful delivery and facilitation of the Mkuze Airport Feasibility Plan.*
2. *Successful delivery and facilitation of the Jozini hydro Feasibility Plan.*
3. *Successful securing R5m of Funds from DBSA towards payment of the abovementioned feasibilities.*
4. *Completion of the Sustainable Community MOU.*
5. *Although it is a given that good financial controls needs to be done we achieved other Unqualified Audit but with matters, these will and have been mostly addressed since Audit and it is believed that next Financial Year will be no matters.*
6. *Both Mkuze Airport and Jozini Hydro has been approved by EXCO to be implemented.*

***Alroy Gericke, Chief Executive Officer***

### ***Comments from the Chairman of the Board***

*Very good and Extensive report kindly, I will in future with regards to meeting with Tribal Authorities and EXCO. This is in support of the relationship with the parent body in terms of condition as laid down by the Mayor.*

*More engagement between me and the Mayor will be promoted to ensure that as Chairman of the Board I assist in the relations between district and the UMDA.*

***Rev HAS Fakude, Chairman of the Board of Directors***

## **Annexure A**

### **1<sup>st</sup> Tranche of 1<sup>st</sup> Operational Phase**



<b>Key Performance Objective</b>	<b>Strategy</b>	<b>KPI</b>	<b>Estimated Cost Outputs 2008-2009</b>	<b>Estimated Time lines</b>		
<b>Sustainable Communities and Economic transformation</b>	<ol style="list-style-type: none"> <li>To recycle waste in the district.</li> <li>To manufacture products from Marula fruit and nuts/ To compliment current project, with additional by products from the current drying process.</li> <li>engage medical practitioners in the district to set up a top class medical facility</li> </ol>	<ol style="list-style-type: none"> <li>Feasibility study for byproducts and recycling</li> <li>Feasibility study</li> <li>Feasibility study</li> <li>Feasibility and Business Plan</li> </ol>	<ol style="list-style-type: none"> <li>R 35 000.00</li> <li>R 85 000.00</li> <li>R 25 000.00</li> </ol>	<p>4months ( Feb/June )</p> <p>3months (Feb /may)</p> <p>4months(Feb /June)</p> <p>2months(June /July )</p>		
			<ol style="list-style-type: none"> <li>1. <b>Recycling</b></li> <li>2. <b>Marula Production/ Pineapple By products</b></li> <li>3. <b>Private Hospital</b></li> </ol>			
<b>Renewable Energy</b>	<ol style="list-style-type: none"> <li>Generate electricity through out the district</li> <li>Generate 25MW to 40MW of renewable</li> </ol>	<ol style="list-style-type: none"> <li>To have completed Business Plan and Design Plans for Hydro generation</li> <li>Feasibility for Solar generation to compliment Hydro</li> <li>Feasibility on Wind Generation</li> </ol>	<ol style="list-style-type: none"> <li>R 300 000.00</li> <li>R 70 000.00</li> <li>R 70 000.00</li> </ol>	<p>7months (March/Sept)</p> <p>5months ( Feb /June)</p>		

	Green Electricity			5months( March /july)
<b>Mkuze Airport</b>	Provide Air-Travel to and from the district and to increase economic activity as a result of the Airport	1. Business and Design Plans	R400 000.00	4months(March /July)
<b>Operational sustainability</b>	To become Financially independent from Donor Organizations	Business plan and lobby work with DEPT transport and NRA	R 40 000	5months(March /july)
<b>Add Boards</b>	Advertising Boards	Feasibility Study for the Construct Office park central to district	R 40 000	2months(fe b/april)
<b>Office Park</b>	Office Park	Lobby work	R 25 000	3months(a pril /july)
<b>Concessions</b>	Obtaining of two Concessions			
<b>Elephant Coast Tourism</b>	Have 50 BEE\BBBEE sustainable Tourism product owners by December 2009	Establish BBEE chatter and investment plan for SMME tourism operators	R 35 000	3months(fe b/may)
		Marketing of SMME product owners based on chatter	R 150 000	3months(m ay /july)
<b>Royal Elephant Route</b>	Establish and new District Based Route to promote the Inner-Route and corridor	Feasibility and Business Plans for Cultural Museum Bhambanana	R 45 000	3months(m arch/may)
		Feasibility of 4 Adventure sport facilities between Hluhluwe and Ingavuma	R 50 000	4months(m ay/august)

<b>Agriculture UMkhanyakude Mjindi</b>	To manage the irrigation scheme on behalf of the Department of Agriculture	Feasibility study and lobby work lobby and Capacity building	R 40 000 R 40 000	3months(fe b/may)
<b>Sugar Mill</b>	To establish and facilitate the local Agriculture in	Investigation and Plan	R 50 000	2months(M arch/june)
<b>Market related Investment Plan</b>	preparations of the proposed Sugar Related Projects	Feasibility and Lobby	R 35 000	3months(a pril/july)
<b>Agricultural\Technical School in District</b>	To commission an Investment strategy based on SWOT of the Agriculture industry and to formulate an investment plan			3months(a pril/june)
	The establishment of an Grade 6 to 12 School for Agriculture and Technical skills in District			

<b>Housing UMkhanyakude</b>	To provide housing for Middle-Class and Up-Market consumers currently having no housing access	Business Plan for rental Housing in Mkuze Town	R 35 000	2months(FebApril)
			R 40 000	3moinths(April/june)
		Business Plan for the Development of Land between Hluhluwe Town and N2		
<b>Operational Cost for Umhlosinga Development Agency</b>	First Six Month Operations of Office and Mandate	Human resource	R 500 000	6months(Feb/july)“
		Travel	R 150 000	
		Operational cost	R 49 320	
		Board	R 52 500	
		Other Cost (legal, Audit ext :	R 63 650	
<b>Total cost for Month 1 to 6</b>			<b>R 2,435,470.00</b>	

**Annexure B**  
**Financials**

Umhlosinga Development Agency (Proprietary) Limited  
(Registration number 2004/016608/07)  
Annual financial statements  
for the year ended 30 June 2009



# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## General Information

**Country of incorporation and domicile**

South Africa

**Nature of business and principal activities**

Municipality Development Agency

**Directors**

H A S Fakude

L F Mathenjwa

W D Eckersley

L E Mngomezulu



J L Dodkins

**Registered office**

21 Klebe Street

Mkhuze

Kwazulu Natal

3001

**Business address**

Lot 308 Ebony Crescent

Mtubatuba

3935

**Auditors**

Auditor General South Africa

**Company registration number**

2004/016608/07

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

<b>Index</b>	<b>Page</b>
Director's responsibility statement	3
Independent Auditor's Report	4
Director's report	5
Statement of financial position	6
Statement of financial performance	7
Statement of changes in net assets	8
Cash flow statement	9
Notes to the annual financial statements	10 – 19

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

Detailed statement of financial performance	20 - 21
---	---------

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Director's responsibility statement

The directors are required by the Generally Recognized Accounting Practices and Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognized Accounting Practices (GRAP) and South African Statements of Generally Accepted Accounting Practice (GAAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2009 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the board of directors is primarily responsible for the financial affairs of the company, they are supported by the company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 19, which have been prepared on the going concern basis, were approved by the board of directors on 31 August 2009 and were signed on its behalf by:

---

**H A S Fakude**

# Independent Auditor's Report

To the member of Umhlosinga Development Agency (Proprietary) Limited

**Emphasis of Matter**

Additional text

**Other Matters**

Additional text

**Report on Other Legal and Regulatory Requirements**

Additional text

**Additional information**

**Auditor General**

**Per:**

**31 August 2009**

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Director's report

### 1. Incorporation

The company was incorporated on 17 June 2004 and obtained its certificate to commence business on the same day. The company was originally incorporated under the name Maxi trade 42 General Trading (Proprietary) Limited and changed to Umhlosinga Development Agency (Proprietary) Limited on the 04 July 2006, and remained dormant until 01 January 2008 where the establishment phase commenced.

### 2. Review of activities

#### Main business and operations

The company is engaged in acting as an agent for and on behalf of Umkhanyakude District Municipality for the purpose of implementing economic, social and environmental policies and projects, as identified by or agreed with the local municipality economic development agency and all its business allied thereto and ensure the development of Umkhanyakude Municipality and its surrounding areas. The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net (deficit)/surplus of the company was (R 908 382) (2008: R1 362 691) after taxation of R 19 200 (2008: R48 785).

**3. Going concern**

We draw attention to the fact that at 30 June 2009, the company had an accumulated surplus of R 454 309 (2008: R1 362 691) and that the company's total assets exceed its liabilities. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

**4. Owners contributions**

There were no changes in the authorised or issued share capital of the company during the year under review.

**5. Directors**

The directors of the company during the year and to the date of this report are as follows:

<b>Name</b>	<b>Nationality</b>
H A S Fakude	South African
L F Mathenjwa	South African
W D Eckersley	South African



L E Mngomezulu	South African	
J L Dodkins	South African	
C E Rutherford	South African	<b>Resigned: 16/03/2009</b>

**6. Holding company**

The company's holding entity is Umkhanyakude District Municipality incorporated under the Municipality Act of South Africa.

**7. Auditors**

Auditor General South Africa will continue in office in accordance with Section 4 (1) (e) of the Public Audit Act No.25 of 2004.

## **Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

## Statement of financial position

		2009	2008
	Note	R	R
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	47,755	12,867
		<hr/>	<hr/>
<b>Current Assets</b>			
Receivables from non-exchange transactions	3	-	23,801
Cash and cash equivalents	4	1,561,631	1,565,336
		<hr/>	<hr/>
		1,561,631	1,589,137

**Total Assets**

1,609,386

1,602,004

**Net assets and Liabilities**

**Net assets**

Contributions from owner

5

100

100

Accumulated surplus

454,309

1,362,691

454,409

1,362,791

**Liabilities**

**Current Liabilities**

Taxes and transfers payable		67,986	48,785	
Trade and other payables from non-exchange transactions	6	897,406	2,895	2,895
VAT payable	3	36,664	-	
Accruals	7	152,921	187,533	
		<hr/>	<hr/>	
		1,154,977	239,213	
		<hr/>	<hr/>	
<b>Total Net Assets and Liabilities</b>		<b>1,609,386</b>	<b>1,602,004</b>	
		<hr/> <hr/>	<hr/> <hr/>	

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

For the six  
month period  
ending 30 June

## Statement of financial performance

	Notes	2009	2008
		R	
Government grants received	8		
Other income - tender document income		2,599,385	2,239,930
Operating expenses		-	18,421

		(3,557,140)	(1,002,687)
<b>Operating (deficit)/surplus</b>			
Interest Received	9	<b>(957,755)</b>	<b>1,255,664</b>
		68,573	155,812
<b>(Deficit)/Surplus before taxes</b>			
Taxation	10	(889,182)	1,411,476
<b>(Deficit)/Surplus for the year</b>		(19,200)	(48,785)
		<b>(908,382)</b>	<b>1,362,691</b>

## Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

### Statement of changes in net assets

	Owners contributions	Accumulated surplus	Total net assets
	R	R	R
Balance at 1 July 2007	100	-	100
Surplus for the year	-	1,362,691	1,362,691

<b>Balance at 30 June 2008</b>	<b>100</b>	<b>1,362,691</b>	<b>1,362,791</b>
<b>Balance at 1 July 2008</b>	100	1,362,691	1,362,791
Deficit for the year		(908,382)	(938,547)
<b>Balance at 30 June 2009</b>	<b>100</b>	<b>454,309</b>	<b>454,409</b>



# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

For the six  
month period  
ending 30 June

## Cash flow statement

	Notes	2009	2008
		R	R
<b>Cash flow from operating activities</b>			
Cash receipts received			
Cash paid to suppliers and employees		2,599,385	2,239,930

		(2,632,355)	(816,891)
Cash generated from/(used in) operations	12		
Interest income		(32,970)	1,423,039
		68,573	155,812
<b>Net cash from operating activities</b>			
		<b>35,603</b>	<b>1,578,851</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2		
		(39,308)	(13,515)
<b>Total cash movement for the year</b>			
Cash at the beginning of the year		(3,705)	1,565,336

1,565,336 -

**Total cash at end of the year**

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<b>1,561,631</b>	<b>1,565,336</b>
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# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Notes to the annual financial statements

### 1. Basis of preparation

The annual financial statements have been prepared in historical cost basis and in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement and in a manner as required by the Companies Act of South Africa 1973 as follows:

#### Standard of GRAP

#### Replaced Statement of GAAP

GRAP 1 Presentation of Financial Statements

AC 101 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

AC 118 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in  
Accounting Estimates and Errors

AC 103 Accounting Policies, Changes in  
Accounting Estimates and Errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

**Terminology differences**

**Standard of GRAP**

**Replaced Statement of GAAP**

Statement of financial performance

Income statement

Statement of financial position

Balance sheet

Statement of changes in net assets

Statement of changes in equity

Net assets

Equity

Surplus/Deficit

Profit/Loss

Accumulated surplus/deficit

Retained earnings

Contributions from owners

Share capital

Distributions to owners

Dividends

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the statement of financial position, such as:

Receivables from non-exchange transactions, including taxes and transfers,

Taxes and transfers payable, and Trade and other payables from non-exchange transactions.

The amount and nature of any restrictions on cash balances are required.

**Standard issued but not yet effective**

GRAP24: Presentation of budget information in Financial Statements – issued November 2007: Compliance with this standard would only have had an effect on the presentation of financial statements.

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Notes to the annual financial statements (continued)

### 1.1 Property, plant and equipment

The cost of an item of office equipment, computer equipment and furniture and fittings are recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Office equipment is carried at cost less accumulated depreciation and any impairment losses.

<b>Item</b>	<b>Average useful life</b>
Office equipment	5 years
Furniture and Fittings	5 years
Computer Equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period is recognized on a straight line basis in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

## **1.2 Taxes and transfers payable**

### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the South

African Revenue Services, using the tax rates that have been enacted or substantively enacted by the statement of financial position date.



## **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

# Umhlosinga Development Agency (Proprietary) Limited

*Annual Financial Statements for the year ended 30 June 2009*

## Notes to the annual financial statements (continued)

### 1.3 Owners contributions and Net Assets

A net assets instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own net assets instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from net assets until the owners contributions are cancelled or reissued. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own net assets instruments. Consideration paid or received shall be recognized directly in net assets.

### 1.4 Provisions and contingencies

Provisions are recognized when:

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

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

Provisions are not recognized for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

- services;
- The principal locations affected;
  - The location, function, and approximate number of employees who will be compensated for terminating their
  - The expenditures that will be undertaken; and
  - When the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

- the amount that would be recognized as a provision; and
- The amount initially recognized less cumulative amortization.

## **Umhlosinga Development Agency (Proprietary) Limited**

*Annual Financial Statements for the year ended 30 June 2009*

### **Notes to the annual financial statements (continued)**

#### **1.5 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Grants related to income are funds received from the following donors:

- Umkhanyakude District Municipality
- Industrial Development Corporation

These grants are presented as a credit in the statement of financial performance.

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Notes to the annual financial statements (continued)

2. Property, plant and equipment

For the s  
month p  
ending 3  
June

2009

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47,755

1

**Reconciliation of Property, Plant and Equipment - 2009**

	<b>Opening balance</b>	<b>Additi ons</b>	<b>Accum ulated Deprec iation</b>	<b>Depr eciat ion</b>	<b>Carrying Value</b>
Office Equipment	13,515	6,737	(648)	(2,928)	16,676
Furniture and fittings	-	7,620	-	(106)	7,514
Computer equipment	-	24,951	-	(1,386)	23,565
	<b>13,515</b>	<b>39,308</b>	<b>(648)</b>	<b>(4,420)</b>	<b>47,755</b>

**Reconciliation of Property, Plant and Equipment - 2008**

	<b>Opening balance</b>	<b>Additi ons</b>	<b>Accum ulated Deprec iation</b>	<b>Depr eciat ion</b>	<b>Carrying Value</b>
Office Equipment	-	13,515	-	(648)	12,867
Furniture and fittings	-	-	-	-	-
Computer equipment	-	-	-	-	-
	-	<b>13,515</b>	-	<b>(648)</b>	<b>12,867</b>

**3. VAT**

VAT Payable

**36,664**

**(23**

**Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

**For the six  
month period  
ending 30 June**

**2009**

**2008**

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#### 4. Cash and Cash equivalents

Cash and cash equivalents consist of:

Cheque Account	141,882	48,189
Call Account	1,419,738	1,517,147
Petty Cash	11	-
	<hr/>	<hr/>
	<b>1,561,631</b>	<b>1,565,336</b>
	<hr/> <hr/>	<hr/> <hr/>

*All bank accounts of the Agency are held at Absa Bank*

*Cheque Account - 406 976 2605*



Call Account - 9200 378 551

**5. Contributions from owner**

**Authorised**

1000 Ordinary shares of R1 each

1,000

1,000

**Reconciliation of number of shares issued**

Reported as at 01 July 2008

100

100

900 unissued shares are under the control of the directors. This authority remains

in force until the next annual general meeting.

**Issued**

Ordinary

**100**

===== =

**6. Trade and other payables from non-exchange transactions**

Trade Creditors

**897,406**

===== =

**Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

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7. Accruals

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Accruals - SARS employee taxes	20,401	
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Accruals - Leave pay	37,270	
		7 5 ,
Accruals - Audit fees	95,250	

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152,921	3
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**Reconciliation of accruals - 2009**

	Opening Balance	Additions	Utilized during the year	Total
Accruals - SARS employee taxes	82,368	20,401	(82,368)	20,401
Accruals - Leave pay	30,165	7,105	-	37,270

Accruals - Audit fees	75,000	95,250	(75,000)	95,250
	187,533	122,756	(157,368)	<b>152,921</b>

**Reconciliation of accruals - 2008**

	Opening Balance	Additions	Utilized during the year	Total
Accruals - SARS employee taxes	-	82,368	-	82,368
Accruals - Leave pay	-	30,165	-	30,165
Accruals - Audit fees	-	75,000	-	75,000
	-	187,533	-	<b>187,533</b>

**8. Grants Received**

		1
		,
		9
		7
		1
		,
		7
		0
Industrial Development Corporation	1,949,846	8
		2
		6
		8
		,
		2
		2
UMkhanyakude District Municipality	649,539	2
	<hr/>	<hr/>
		<b>2</b>
		,
		<b>2</b>
	<b>2,599,385</b>	<b>3</b>
	<hr/> <hr/>	<hr/> <hr/>
		<b>9</b>



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**Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

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**9. Interest Received**

		1
		5
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		,
		8
		1
Bank	68,573	2
	<hr/>	<hr/>
		1
		5
		5
		,
		8
		1
	68,573	2
	<hr/> <hr/>	<hr/> <hr/>

**10. Taxes and transfers payable**

Major components of the tax expense

**Current**

		4
		8
		,
		7
Local income tax	19,200	8
		5
	<u>          </u>	<u>          </u>

**11. Auditors' remuneration**

		7
		5
Fees	95,250	,
		0
	<u>          </u>	<u>          </u>

		0
		0
	<u><u>          </u></u>	<u><u>          </u></u>

**12. Cash generated from/(used in) operations**

		1
		,
		4
		1
		1
		,
		4
Surplus/(Deficit) before		7
taxation	(889,182)	6

**Adjustments:**

Depreciation	4,420	6
		4

		8
		(
		1
		5
		5
		,
		8
		1
		2
Interest Received	(68,573)	)
		1
		8
		7
		,
		5
		3
Movement in accruals	(34,611)	3
<b>Changes in working capital:</b>		
		(
		2
		3
		,
Receivables from non-exchange transactions	23,801	8
		0

		1
		)
		2
		,
		9
		9
Trade and other payables from non-exchange transactions	931,175	5
	<hr/>	<hr/>
		1
		,
		4
		2
		3
		,
		0
		3
Cash generated from/(used in) operations	(32,970)	9
	<hr/> <hr/>	<hr/> <hr/>

**Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

**Notes to the annual financial statements (continued)**

**For the six  
month period  
ending 30  
June**

**2009**

**2008**

**R**

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**13. Directors' Fees**

Fees paid to the directors during the year were for the following service

**Non-executive**



For services as directors	<b>102,647</b>	<b>19,350</b>
	<u>                    </u>	<u>                    </u>

**14. Management Remuneration**

**Chief Executive Officer - AX Gericke**

Basic Salary ( inclusive of annual bonus)	462,000	211,150
Travel Allowance	108,000	36,000
Cell phone allowance	10,200	3,600

<u>580,200</u>	<u>250,750</u>
----------------	----------------

The above remuneration package was earned by Mr. AX Gericke, Chief Executive Officer of the company from 01 July 2008 to 30 June 2009.

# Umhlosinga Development Agency (Proprietary) Limited

Annual Financial Statements for the year ended 30 June 2009

## Notes to the annual financial statements (continued)

For the six  
month period  
ending 30  
June

2009

2008

R

R

### 15. Related Parties

Ultimate Holding entity

UMkhanyakude District Municipality is a 100% shareholder in Umhlosinga Development Agency (Pty) Ltd.

Related party transactions

Telephone Expenses	94,370	36,173
Salary Cost	555,169	232,049
	<hr/>	<hr/>
Grant Received	649,539	268,222
	<hr/> <hr/>	<hr/> <hr/>

Related party transactions consist of expenses paid by UMkhanyakude District Municipality on behalf of Umhlosinga Development Agency (Pty) Ltd. The salary cost is that of the Chief Operating Officer who has been seconded to Umhlosinga Development Agency (Pty) Ltd.

## 16. Unauthorized expenditure

	Budget	Actual	Unauthorized
Employee costs	1,714,345	1,861,704	147,359
Goods & Services	75,000	103,416	28,416
Operating expenditure	48,300	141,160	92,860
	<hr/>	<hr/>	<hr/>
	1,837,645	2,106,280	268,635
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unauthorized expenditure of R 268,635 was incurred during the year.

Total expenditure was within the budget, however overspending of the total amount

Appropriated for specific votes in the approved budget was incurred as indicated above.

## **Umhlosinga Development Agency (Proprietary) Limited**

Annual Financial Statements for the year ended 30 June 2009

### **Detailed statement of financial performance**

	<b>2009</b>	<b>For the six month period ending 30 June</b>
	<b>R</b>	<b>2008</b>
		<b>R</b>
<b>Income</b>		

Grant received - Industrial Development Corporation	1,949,846	1,971,708
Grant received - UMkhanyakude District Municipality	649,539	268,222
	<hr/>	<hr/>
	<b>2,599,385</b>	<b>2,239,930</b>
<b>Other Income</b>		
Tender fee income	-	18,421
Interest received	68,573	155,812
	<hr/>	<hr/>
	<b>68,573</b>	<b>174,233</b>
<b>(Deficit)/Surplus before taxes and transfers payable</b>	<b>(889,182)</b>	<b>1,411,476</b>
Taxes and transfers	(19,200)	(48,785)

<b>(Deficit)/Surplus for the year</b>	<b>(908,382)</b>	<b>1,362,691</b>
---------------------------------------	------------------	------------------

**Operating expenses**

Accounting Fees	93,836	22,150
Advertising & Marketing	58,653	48,417
Auditors remuneration	95,250	75,000
Bank charges	5,459	2,010
Consulting and professional fees	6,110	33,202
Depreciation	4,420	648



Employee costs	1,861,704	618,883
Projects Costs	1,107,784	-
Entertainment	-	4,395
Minor assets expensed	-	7,132
Operating costs	32,117	2,035
Tender document fees	-	18,600
Rental - Office plants	-	1,715
Hire	-	7,864
IT Expenses	20,279	4,222
Legal expenses	-	1,251
Postage	1,502	925
Printing & stationery	26,015	9,251

Repairs and maintenance	15,228	228
Security	-	650
Subscriptions	-	499
Telephone and Fax	112,060	36,172
Training	27,726	22,075
Conference, Workshops and Seminar	21,175	-
Travel - Local	67,822	85,363
	<hr/>	<hr/>
	<b>3,557,140</b>	<b>1,002,687</b>
	<hr/> <hr/>	<hr/> <hr/>

## **Annexure C**

### **Audit 2009**

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Umhlosinga Development Agency (Pty) Ltd which comprise the statement of financial position as at 30 June 2009 and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages [xx] to [xx].

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa 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 and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Umhlosinga Development Agency (Pty) Ltd 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 Umhlosinga Development Agency (Pty) Ltd as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and the Companies Act of South Africa.

### **Emphasis of matters**

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

### **Basis of accounting**

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

### **Going concern**

10. While the entity has prepared financial statements on a going concern basis, there are indicators that its financial sustainability is under threat. These include the following:
  - Key performance areas as established from the strategic business plan were not fully achieved which could result in the entity failing to achieve its mandate in which case the grant funding may be withheld.
  - A loss of R908,382 was incurred in the current year.

These conditions along with other matters as set forth in the directors' report indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

### **Unauthorized expenditure**

11. As disclosed in note 16 to the financial statements unauthorized expenditure of R268, 635 were incurred in the current year. Total expenditure was within budget; however, overspending of the total amount appropriated for specific votes in the approved budget was incurred.

## **Other matters**

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

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

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

### **Unaudited supplementary schedules**

13. The supplementary information set out on pages [xx] to [xx] does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

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

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

14. The entity opened a credit card account with ABSA bank in March 2009, however, the new bank account details were not submitted to the parent municipality as required by section 86 of the MFMA.

15. The accounting officer did not submit quarterly reports on the implementation of the supply chain management policy to the board of directors which is a contravention of Supply Chain Management Regulation 6 and section 112 of the MFMA.

16. The entity does not have a list of accredited prospective service providers which is a contravention of Supply Chain Management Regulation 14 and section 112 of the MFMA.

17. The entity did not comply with section 127 of the MFMA as the 2007/2008 annual report was submitted to the parent municipality late.

### **Municipal Systems Act**

18. The entity does not have a service level agreement with its parent municipality, as required by section 93B of the MSA.

19. The fact that the entity has not complied with the applicable legislation listed above is indicative of non-compliance with section 93H(1)(b) of the MSA which requires the board of directors to ensure compliance with all legislation.

### **Governance framework**

20. 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**

21. 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 a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	?	
<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.		?
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		?
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	?	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	?	

<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 company had an audit committee in operation throughout the financial year.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		?
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The company had an internal audit function in operation throughout the financial year.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		?
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		?
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		?

9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		?
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	?	
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 95(c)(i) of the MFMA.		?
12.	Delegations of responsibility are in place, as set out in section 106 of the MFMA.	?	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	?	
14.	SCOPA/Oversight resolutions have been substantially implemented.	?	
<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.	?	

16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	?	
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 Umhlosinga Development Agency against its mandate, predetermined objectives, outputs, indicators and targets section 87 of the MFMA.	?	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		?

22. Adjustments were made to the financial statements to ensure compliance with the GRAP basis of accounting and to correct the related party transactions that were not provided initially by the parent municipality. However, the financial statements submitted for audit and all requested information were provided timeously and management were on hand to respond to queries, both verbal and written, in a timely manner. Risk management and internal control in the form of internal audit, audit committee and control measures were lacking resulting in non-compliance with legislation and regulations.

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

### **Report on performance information**

23. I have reviewed the performance information as set out on pages [xx]to [xx].

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

24. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives, set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

### **The Auditor-General's responsibility**

25. 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.

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

27. 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**

##### **Inadequate reporting on performance information**

28. The accounting officer of Umhlosinga Development Agency (Pty) Ltd did not submit a monthly report to the accounting officer of the parent municipality on the state of the entity's budget, as required by MFMA section 87(11)(g)(ii).

##### **No mid-year budget and performance assessments**

29. The performance assessment of Umhlosinga Development Agency (Pty) Ltd was not performed by the accounting officer during the first half of the financial year resulting in a contravention of section 88 of the MFMA.

## **APPRECIATION**

30. The assistance rendered by the staff of the Umhlosinga Development Agency (Pty) Ltd 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*

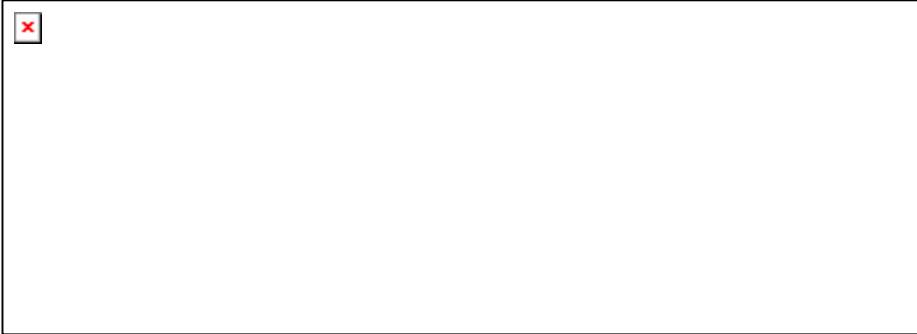
## **BOARD OF DIRECTORS**

<b>CHAIRPERSON OF THE BOARD</b>	<b>REV DR HAS FAKUDE</b>
<b>DEPUTY CHAIRPERSON</b>	<b>MS JANICE DODKINS (CHAIR INTERNAL AUDIT COMMITTEE)</b>
<b>BOARD MEMBER</b>	<b>PROF L MATHENJWA (CHAIR HR&amp; REMUNERATION COMMITTEE)</b>
<b>BOARD MEMBER</b>	<b>DR MNGWANGO (INTERNAL AUDIT)</b>
<b>BOARD MEMBER</b>	<b>MR WILFRED ECERSLEY (HUMAN RESOURCE AND REMUNIRATION)</b>
<b>BOARD MEMBER</b>	<b>MR S MNGOMEZULU (HUMAN RESOURCE AND REMUNIRATION)</b>
<b>BOARD MEMBER</b>	<b>VACANT (INTERNAL AUDIT)</b>

## Staff

<b><i>Mr Alroy Gericke</i></b>	<b><i>Chief Executive Officer</i></b>
<b><i>Miss Thando Mthetwa</i></b>	<b><i>PA to CEO</i></b>
<b><i>Miss Joy Khosie Bhengu</i></b>	<b><i>Chief Operating Manager (Implementation)</i></b>
<b><i>Miss Angel Mbokazi</i></b>	<b><i>Accountant and Company Secretary</i></b>
<b><i>Miss Nonhlanhla Biyela</i></b>	<b><i>Tourism and Marketing Manager</i></b>
<b><i>Miss Nobuhle Nguni</i></b>	<b><i>Operational Secretary and Office manager</i></b>
<b><i>Miss Thobeka Ngcobo</i></b>	<b><i>LED (Cadet) 2009</i></b>
<b><i>Mr Musa Nxumalo</i></b>	<b><i>Manager Business Support Centre Hlabisa</i></b>





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

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Index

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

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# **UMKHANYAKUDE DISTRICT MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2009

## **Responsibilities and Approval**

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 24, and Appendix A, B, C, D, E(1), E(2) and F 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 in note 21 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 Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**S R Mathobela**  
**Acting Municipal Manager**

**Mkhuze**  
**25 November 2009**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Position

	Note(s)	2009 R	2008 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	1 011 541	1 809 256
Other debtors	7	2 985 703	9 205 620
Vat receivable	8	-	18 657 201
Prepayments		142 278	-
Consumer debtors	9	42 709 358	27 213 439
Cash and cash equivalents	10	13 487 391	2 722 166
		<b>60 336 271</b>	<b>59 607 682</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1 040 723 619	621 949 464
Investment in subsidiary	3	100	100
Long term receivables	4	255 071	245 473
Investments	5	89 508	12 115 547
		<b>1 041 068 298</b>	<b>634 310 584</b>
<b>Total Assets</b>		<b>1 101 404 569</b>	<b>693 918 266</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Investment loan		100	100
Trade and other payables	14	67 552 920	56 507 786
Vat payable	15	1 765 561	-
Consumer deposits	16	563 508	366 038
Unspent conditional grants and receipts	11	1 834 915	35 034 633
Provisions	12	397 980	788 598
Current portion of long - term liability	13	749 839	2 810 646
Bank overdraft	10	-	3 395 434
		<b>72 864 823</b>	<b>98 903 235</b>
<b>Non-Current Liabilities</b>			
Long - term liabilities	13	11 247 599	17 065 868
<b>Total Liabilities</b>		<b>84 112 422</b>	<b>115 969 103</b>
<b>Net Assets</b>		<b>1 017 292 147</b>	<b>577 949 163</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve		345 724 029	-
Government grant reserve		-	487 569 065
Accumulated surplus		671 568 119	90 380 099
<b>Total Net Assets</b>		<b>1 017 292 148</b>	<b>577 949 164</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Financial Performance

	Notes	2009 R	2008 R
<b>Revenue</b>			
Service charges	17	40 905 714	39 773 742
Rental income		87 744	36 613
Government grants	18	252 334 397	184 579 172
Interest received - investment	22	2 488 063	1 871 987
<b>Total Revenue</b>		<b>295 815 918</b>	<b>226 261 514</b>
<b>Expenditure</b>			
Employee related costs	20	(42 504 330)	(30 507 253)
Remuneration of councillors	21	(2 336 665)	(2 569 128)
Depreciation and amortisation		(8 773 778)	(19 987 949)
Impairment loss/ Reversal of impairments		(15 410 169)	-
Finance costs	23	(2 272 131)	(2 176 142)
Repairs and maintenance		(8 415 701)	(2 056 095)
Bulk purchases	26	(45 232 400)	(59 561 372)
Contracted services	24	(3 682 409)	(1 251 678)
Grant expenditure	25	(28 676 866)	(8 408 746)
General Expenses	19	(33 618 293)	(28 620 413)
<b>Total Expenditure</b>		<b>(190 922 742)</b>	<b>(155 138 776)</b>
Surplus or deficit on sale of assets and liabilities		-	(11 377)
<b>Surplus for the year</b>		<b>104 893 176</b>	<b>71 111 361</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Statement of Changes in Net Assets

	Capital replacement reserve R	Revaluation reserve R	Government grant reserve R	Total reserves R	Accumulated surplus/(deficit) R	Total net assets R
<b>Balance at 01 July 2007</b>	-	-	<b>409 051 274</b>	<b>409 051 274</b>	<b>93 868 929</b>	<b>502 920 203</b>
Changes in net assets						
Surplus for the year	-	-	-	-	71 111 361	71 111 361
Transfer to CRR	1 127 387	-	-	1 127 387	(786 818)	340 569
PPE purchased	(1 127 387)	-	-	(1 127 387)	786 818	(340 569)
Capital grants used to purchase PPE	-	-	95 745 082	95 745 082	(95 745 082)	-
Off setting of depreciation	-	-	(17 227 291)	(17 227 291)	17 227 291	-
Other adjustments	-	-	-	-	3 917 600	3 917 600
<b>Total changes</b>	-	-	<b>78 517 791</b>	<b>78 517 791</b>	<b>(3 488 830)</b>	<b>75 028 961</b>
Opening balance as previously reported	-	-	487 569 065	487 569 065	90 380 099	577 949 164
Adjustments						
Prior year adjustments	-	-	-	-	(2 744 513)	(2 744 513)
<b>Balance at 01 July 2008 as restated</b>	-	-	<b>487 569 065</b>	<b>487 569 065</b>	<b>87 635 586</b>	<b>575 204 651</b>
Changes in net assets						
Surplus for the year	-	-	-	-	104 893 176	104 893 176
Revaluation of assets	-	345 724 029	-	345 724 029	-	345 724 029
Write off of accumulated depreciation on revaluation and disposal of assets	-	-	-	-	6 388 057	6 388 057
Write off of loan	-	-	-	-	1 534 425	1 534 425
Offsetting of depreciation on revaluation and transfer of sports complex	-	-	(14 996 284)	(14 996 284)	-	(14 996 284)
Other adjustments	-	-	-	-	(1 455 906)	(1 455 906)
Transferred to Accumulated Surplus	-	-	(472 572 781)	(472 572 781)	472 572 781	-
<b>Total changes</b>	-	<b>345 724 029</b>	<b>(487 569 065)</b>	<b>(141 845 036)</b>	<b>583 932 533</b>	<b>442 087 497</b>
<b>Balance at 30 June 2009</b>	-	<b>345 724 029</b>	-	<b>345 724 029</b>	<b>671 568 119</b>	<b>1 017 292 148</b>

Note(s)

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Cash Flow Statement

	Note(s)	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers		289 350 634	298 895 117
Cash paid to suppliers and employees		(186 150 212)	(199 176 711)
Cash generated from operations	27	103 200 422	99 718 406
Interest income		2 488 063	1 871 987
Finance costs		(2 272 131)	(2 176 142)
Prior year adjustments		(2 744 513)	-
<b>Net cash from operating activities</b>		<b>100 671 841</b>	<b>99 414 251</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(105 842 302)	(97 475 261)
Disposal of assets on revaluation	2	14 996 285	-
Movement of investments		12 026 039	(3 884 108)
Increase in long - term receivables		(9 598)	14 211
<b>Net cash from investing activities</b>		<b>(78 829 576)</b>	<b>(101 345 158)</b>
<b>Cash flows from financing activities</b>			
Movement in long - term liabilities		(7 879 076)	(2 645 660)
Movement in Consumer deposits		197 470	(65 170)
<b>Net cash from financing activities</b>		<b>(7 681 606)</b>	<b>(2 710 830)</b>
<b>Total cash movement for the year</b>		<b>14 160 659</b>	<b>(4 641 737)</b>
Cash at the beginning of the year		(673 268)	3 968 469
<b>Net increase (decrease) in cash and cash equivalents</b>	10	<b>13 487 391</b>	<b>(673 268)</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 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 otherwise specified. The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and applicable disclosures have been based on the Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The municipality has utilised the transitional provisions set out in Directive 4 issued by the Accounting Standards Board.

The principle accounting policies adopted in the preparation of these financial statements are set out below.

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

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand.

#### 1.2 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

Where items of property, plant and equipment 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.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight - line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Item	Years
Infrastructure	
• Electricity	20 - 30
• Water	15 - 20
• Sewerage	15 - 20
Community	
• Buildings	30
• Recreational facilities	20-30
• Airport	20
• Security measures	5
Other	
• Bins and containers	5
• Computer equipment	5
• Computer software	3 - 5
• Emergency equipment	15
• Furniture and fittings	7 - 10
• Motor vehicles	5
• Office equipment	5
• Office machines	3 - 5
• Plant and equipment	2 - 10
• Telecommunication	5

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.



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.2 Property, plant and equipment (continued)

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.3 Investments

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

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.

### 1.4 Financial instruments

#### Accounts receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Trade creditors

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

#### Cash and cash equivalents

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

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

### 1.5 Leases

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

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

### 1.6 Inventories

Water stock and prepaid water metres are valued at the lower of cost and net realisable value.

### 1.7 Impairment of assets

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.7 Impairment of assets (continued)

The entity assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity 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.
- tests goodwill acquired in a business combination for impairment annually.

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

The recoverable 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 amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

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

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset other than goodwill 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 other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 1.8 Employee benefits

#### Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance,

1973 (Ordinance No.24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years.

Whilst employees are employed by the municipality, the municipality contributes to their pension funds and medical aids. On termination, resignation or retirement of employees the municipality no longer contributes on their behalf and thus there are no post employment benefits.

### 1.9 Provisions and contingencies

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.9 Provisions and contingencies (continued)

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the 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
- 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.

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

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

Contingent assets and contingent liabilities are not recognised.

### 1.10 Revenue

Revenue from exchange transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Interest and rentals are recognised on a time proportion basis.

Revenue from sale of goods is recognised when the risk is passed to the consumer.

Revenue from non-exchange transactions

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 councillors or officials is virtually certain

### 1.11 Borrowing costs

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

### 1.12 Comparative figures

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.12 Comparative figures (continued)

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budgeted amounts have been included in the annual financial statements for the current financial year only.

### 1.13 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.14 Fruitless and wasteful expenditure

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

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

### 1.15 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.

### 1.16 Reserves

#### 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/ (deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank 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 amounts in the CRR are utilised.

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

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of new GRAP standards.

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is 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 the 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).

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Accounting Policies

### 1.16 Reserves (continued)

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).

This policy is applicable for the period ending 30 June 2008. This policy is not applicable in the current year in terms of the GRAP standards.

#### Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

### 1.17 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.18 Going concern assumption

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

## Notes to the Annual Financial Statements

2009  
R

2008  
R

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

Figures in Rand

### 2. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	700 000	-	700 000	700 000	-	700 000
Buildings	28 659 055	(3 876 632)	24 782 423	28 659 055	(3 927 404)	24 731 651
Infrastructure	337 750 902	(53 121 698)	284 629 204	337 750 902	(46 242 312)	291 508 590
Community	296 948 364	(1 371 163)	295 577 201	311 999 157	(1 370 461)	310 628 696
Other property, plant and equipment	3 742 508	(10 786 495)	(7 043 987)	3 264 332	(8 883 805)	(5 619 473)
Capital work in progress	105 376 860	-	105 376 860	-	-	-
Revaluation adjustments	300 799 287	35 902 631	336 701 918	-	-	-
<b>Total</b>	<b>1 073 976 976</b>	<b>(33 253 357)</b>	<b>1 040 723 619</b>	<b>682 373 446</b>	<b>(60 423 982)</b>	<b>621 949 464</b>

### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Total
Land	700 000	-	-	-	-	-	700 000
Buildings	24 731 651	-	41 772	-	-	9 000	24 782 423
Infrastructure	291 508 590	-	-	-	-	(6 879 386)	284 629 204
Community	310 628 696	-	(15 038 057)	-	(12 736)	(702)	295 577 201
Other property, plant and equipment	(5 619 473)	526 037	-	-	(47 861)	(1 902 690)	(7 043 987)
Capital work in progress	-	105 376 860	-	-	-	-	105 376 860
Revaluation adjustments	-	-	-	300 799 287	35 902 631	-	336 701 918
	<b>621 949 464</b>	<b>105 902 897</b>	<b>(14 996 285)</b>	<b>300 799 287</b>	<b>35 842 034</b>	<b>(8 773 778)</b>	<b>1 040 723 619</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

2009  
R

2008  
R

### 2. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Other changes, movements	Depreciation	Total
Land	700 000	-	-	-	700 000
Buildings	26 410 593	(551 038)	(164 698)	(963 206)	24 731 651
Infrastructure	-	81 646 741	226 471 866	(16 610 017)	291 508 590
Community	-	16 162 166	295 030 475	(563 945)	310 628 696
Other property, plant and equipment	-	217 392	(3 986 084)	(1 850 781)	(5 619 473)
	<b>27 110 593</b>	<b>97 475 261</b>	<b>517 351 559</b>	<b>(19 987 949)</b>	<b>621 949 464</b>

Known Infrastructure assets have been revalued from 1 July 2008. This is a phased operation and other infrastructure assets are still included at nil value. These will be revalued in the following year. The municipality has utilised the transitional provisions set out in Directive 4 issued by the Accounting Standards Board.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

			2009 R	2008 R
<b>3. Investment in subsidiary</b>				
Name of company	Held by	% holding 2009	Carrying amount 2009	Carrying amount 2008
Umhlosinga Development Agency (Proprietary) Limited	Umkhanyakude District Municipality	100.00%	100	100
Issued share capital		100.00%	-	-
Percentage owned by council		100.00%	-	-
			<b>100</b>	<b>100</b>
<b>4. Long term receivables</b>				
Housing loan			1	85 101
Avis loan - Cllr L.M. Mthombeni			185 131	90 433
Vehicle loans			69 939	69 939
			<b>255 071</b>	<b>245 473</b>
<b>5. Investments</b>				
<b>Term deposit - ABSA</b>				
Call account - ABSA		-	89 508	3 336 743
Term deposit - ABSA		-	-	8 778 804
		-	<b>89 508</b>	<b>12 115 547</b>
<b>6. Inventories</b>				
Water stock			1 011 541	142 208
Water Meters			-	1 667 048
			<b>1 011 541</b>	<b>1 809 256</b>
<b>7. Other debtors</b>				
Other debtors			4 411 968	10 631 885
Provision for bad debts			(1 426 265)	(1 426 265)
			<b>2 985 703</b>	<b>9 205 620</b>
<b>8. Other receivables from non-exchange transactions, including taxes and transfers</b>				
VAT receivable			-	18 657 201
<b>9. Consumer debtors</b>				
<b>Gross balances</b>				
Sewerage			4 889 145	5 097 603
Electricity			5 348 165	6 075 004
Water			68 337 702	51 188 895
			<b>78 575 012</b>	<b>62 361 502</b>
<b>Less: Provision for bad debts</b>				
Total			(35 865 654)	(35 148 063)



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>Net balance</b>		
Rates	4 889 145	5 097 603
Electricity	5 348 165	6 075 004
Water	68 337 702	51 188 895

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>9. Consumer debtors (continued)</b>		
Provision for bad debts	(35 865 654)	(35 148 063)
	<b>42 709 358</b>	<b>27 213 439</b>
<b>Water, Sewerage and Electricity : Ageing</b>		
Current (0 -30 days)	(3 201 331)	2 346 270
31 - 60 days	2 205 182	2 238 057
61 - 90 days	2 867 349	3 059 427
91 - 120 days	2 984 236	1 769 692
121 - 365 days	73 451 867	52 948 056
	<b>78 307 303</b>	<b>62 361 502</b>
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	36 574 327	37 064 262
Contributions to provision	717 591	-
Bad debts written off against provision	-	(489 935)
	<b>37 291 918</b>	<b>36 574 327</b>
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	1 500	1 500
Bank balances	13 485 891	2 720 666
Bank overdraft	-	(3 395 434)
	<b>13 487 391</b>	<b>(673 268)</b>
Current assets	13 487 391	2 722 166
Current liabilities	-	(3 395 434)
	<b>13 487 391</b>	<b>(673 268)</b>
The Municipality has the following bank accounts	-	-
Cheque Account (Primary Bank Account)	-	-
ABSA Bank - Account Number 40-5310-7423	-	-
Cash book balance at the beginning of the year	426 514	11 619 239
Cash book balance at end of the year	11 593 189	426 514
Bank statement balance at beginning of year	426 514	11 619 239
Bank statement balance at end of the year	11 593 189	426 514
Commercial Cheque Account	-	-
FNB - Account Number 62026865321	-	-
Cash book balance at beginning of the year	(3 395 433)	(9 408 895)
Cash book balance at end of the year	(17 626 908)	(3 395 434)
Bank statement balance at beginning of the year	6 446 454	12 543 534
Bank statement balance at year end	193 605	10 505 038
Commercial Cheque Account	-	-
FNB - Account Number 620 99155 387	-	-
Cash book balance	137 618	136 038
Bank statement balance	137 618	136 038
Commercial Cheque Account	-	-
FNB Account Number 620 99156 046	-	-

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>9. Consumer debtors (continued)</b>		
Cash book balance	219 198	213 163
Bank statement balance	219 198	213 163

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>10. Cash and cash equivalents (continued)</b>		
Commercial Cheque account	-	-
FNB - Account Number 620 9299 3809	-	-
Cash book balance	680 962	1 077 179
Bank statement balance	680 962	1 077 179
Call account	-	-
FNB Account Number 62027696478	-	-
Cash book balance	83 481	82 830
Bank statement balance	83 481	82 830
Call account	-	-
ABSA - Account Number 9115315268	-	-
Cash book balance	89 508	3 336 743
Bank statement balance	89 508	3 336 743
Club Save	-	-
Ithala - Account Number 23247671	-	-
Cash book balance	266 745	482 336
Bank statement balance	266 745	482 336
Commercial Cheque Account	-	-
FNB Account Number 620 99156 864	-	-
Cash book balance	316 866	302 608
Bank statement balance	316 866	302 608

### 11. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises:**

#### Conditional grants and receipts

Conditional grants from other spheres of government	10 119 610	20 625 386
Other grant receipts	(7 733 310)	14 409 247
	<b>1 834 915</b>	<b>35 034 633</b>

Refer to Appendix F for more detail on conditional grants and receipts .

### 12. Provisions

#### Reconciliation of provisions - 2009

	Opening Balance	Reversed during the year	Total
Provision for performance bonus	788 598	(390 618)	397 980

#### Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Provision for performance bonus	406 537	382 061	788 598

### 13. Long - term liabilities

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

#### Long - term liabilities

Long - term loans	11 997 438	18 342 088
Government loans	-	1 534 426
	<b>11 997 438</b>	<b>19 876 514</b>

**Less current portion of long - term liabilities**

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>13. Long - term liabilities (continued)</b>		
Long - term loans	749 839	2 810 646
Total	11 247 599	17 065 868
<b>14. Trade and other payables</b>		
Trade payables	52 499 264	33 500 096
Sundry creditors	548	10 623 540
Creditors suspense	2 014	2 014
Retentions	10 520 064	8 267 585
Staff leave	2 156 679	1 792 706
Other Creditors	1 686 750	1 732 424
13th cheque provision	687 601	589 421
	<b>67 552 920</b>	<b>56 507 786</b>
<b>15. Taxes and transfers payable</b>		
VAT	1 765 561	-
<b>16. Consumer deposits</b>		
KZ272	303 715	81 051
KZ275	259 793	284 987
	<b>563 508</b>	<b>366 038</b>
<b>17. Service charges</b>		
Sale of electricity	2 658 698	4 526 454
Sale of water	37 041 170	33 603 768
Sewerage and sanitation charges	1 205 846	1 643 520
	<b>40 905 714</b>	<b>39 773 742</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>18. Government grants and subsidies</b>		
Government grants and subsidies	252 200 541	184 579 172
<b>Government grants</b>		
Equitable share	84 569 947	56 164 000
Levy income	-	14 052 698
Conditional grants: Conditions met - transferred to revenue	134 402 928	114 362 474
Other	33 227 666	-
	<b>252 200 541</b>	<b>184 579 172</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members in terms of the indigent register. Households with a total monthly income less than R800 (2008: R800) may apply to be registered as indigent.

### Conditional grants

Balance unspent at beginning of year	20 625 386	25 833 209
Current year receipts	118 369 036	100 233 596
Transfer to counter funding	-	(12 434 055)
Conditions met - transferred to revenue	(107 758 996)	(93 027 364)
Other	(21 115 818)	-
	<b>10 119 608</b>	<b>20 605 386</b>

These grants are used for capital expenditure.

### Other grant receipts

Balance unspent at beginning of year	14 409 247	3 835 357
Current-year receipts	3 875 012	31 909 000
Conditions met - transferred to revenue	(26 643 932)	(21 335 110)
Other	626 361	-
	<b>(7 733 312)</b>	<b>14 409 247</b>

These grants are used for operating expenditure.

### Total Conditional and Other grants

Balance unspent at beginning of year	35 034 633	29 668 566
Current-year receipts	122 244 049	132 162 596
Transfer to counter funding	-	(12 434 055)
Less expenditure	(134 402 927)	(114 362 474)
Other	(20 489 457)	-
	<b>2 386 298</b>	<b>35 034 633</b>

Refer to Appendix F for more information on Government grants and subsidies.

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>19. General expenses</b>		
Accounting fees	2 487 944	4 851 813
Advertising	2 185 055	326 542
Assessment rates & municipal charges	421 390	600 000
Bank charges	299 749	236 719
Cleaning	171 921	44 159
Consulting and professional fees	227 841	173 101
Entertainment	3 297 974	2 241 751
Community development and training	2 317 113	877 834
IT expenses	290 466	127 497
Lease rentals on operating lease	2 384 356	1 949 231
Fleet	1 102 988	974 918
Promotions and sponsorships	386 869	565 863
Levies	7 604	50 311
Fuel and oil	2 492 780	2 006 711
Postage and courier	4 979	3 825
Printing and stationery	205 270	328 565
Protective clothing	79 592	12 540
Security (Guarding of municipal property)	1 038 886	948 812
Staff welfare	37 599	95 119
Subscriptions and membership fees	152 069	250 882
Telephone and fax	1 127 498	1 663 707
Training	124 757	266 972
Assets expensed	240 785	31 684
Tourism development	957 732	172 138
Development agency	649 539	56 380
Subsistence and travelling	3 145 283	3 481 013
Disaster management	4 874 052	4 782 922
Small tools	11 275	12 819
Chemicals	500 580	-
Other expenses	2 394 347	1 486 585
	<b>33 618 293</b>	<b>28 620 413</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>20. Employee related costs</b>		
Basic	29 151 258	19 412 189
Bonus	(292 439)	382 061
Medical aid - company contributions	1 192 693	975 575
UIF	261 515	179 320
WCA	-	3 000
SDL	363 003	300 634
Other payroll levies	18 054	6 727
Leave pay provision charge	1 555 641	617 323
Pension	3 422 485	2 696 288
Travel, motor car, accommodation, subsistence and other allowances	674 887	629 443
Overtime payments	2 466 324	1 384 796
Car allowance	3 345 553	3 236 666
Housing benefits and allowances	430 149	361 918
Development Agency salary costs	(555 169)	-
Termination benefits	470 376	321 313
	<b>42 504 330</b>	<b>30 507 253</b>
 <b>Remuneration of municipal manager</b>		
Annual Remuneration	556 571	500 678
Cell allowance	29 394	28 647
Housing Allowance	18 315	17 850
Travel allowance and claims	315 154	223 565
Subsistence	3 794	714
Back pay	15 222	18 947
Contribution to UIF, medical and pension funds	26 002	24 072
	<b>964 452</b>	<b>814 473</b>
 <b>Remuneration of chief finance officer</b>		
Annual Remuneration	506 286	326 431
Cell Allowance	9 600	21 882
Performance Bonus	-	96 443
Housing Allowance	-	10 352
Travel Allowance and Claims	161 462	290 138
Subsistence Allowance	3 257	520
Back Pay	15 499	16 726
Contributions to UIF, Medical Aid and Pension Funds	161 433	90 844
	<b>857 537</b>	<b>853 336</b>
 <b>Remuneration of Head of Technical Services</b>		
Annual Remuneration	297 737	150 248
Cell Allowance	13 397	11 000
Performance Bonus	22 967	-
Contributions to UIF, Medical and Pension Funds	62 625	27 676
Travel Allowance and Claims	158 699	84 785
Housing Allowance	3 000	-
Subsistence Allowance	185	-
Acting Allowance	154 971	-
	<b>713 581</b>	<b>273 709</b>
 <b>Remuneration of Head of Corporate Services</b>		



# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
Annual Remuneration	510 364	199 170

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>20. Employee related costs (continued)</b>		
Cell Allowance	9 600	4 000
Travel Allowance and claims	114 990	31 923
Contributions to UIF, Medical and Pension Funds	93 388	36 485
Subsistence Allowance	327	102
Back pay	13 179	-
	<b>741 848</b>	<b>271 680</b>
<b>Remuneration of Head of Planning and Tourism</b>		
Annual Remuneration	407 673	365 177
Cell Allowance	15 957	8 400
Housing Allowance	26 400	33 788
Contributions to UIF, Medical and Pension Funds	101 814	75 915
Travel Allowances and claims	195 354	154 530
Back Pay	13 179	16 454
Acting Allowance	6 843	-
	<b>767 220</b>	<b>654 264</b>
<b>Remuneration of Head of Water and Sanitation</b>		
Annual Remuneration	110 594	202 587
Cell allowance	4 000	12 211
Performance Bonuses	22 119	26 328
Contributions to UIF, Medical and Pension Funds	25 337	51 821
Housing Allowance	3 435	22 568
Travel allowances and claims	69 806	131 802
Subsistence allowance	296	8 377
Back Pay	-	65 062
Acting Allowance	87 458	4 443
	<b>323 045</b>	<b>525 199</b>
<b>21. Remuneration of councillors</b>		
Executive Major	351 245	355 993
Deputy Mayor, Speaker and Exco members	949 991	1 087 885
Councillors	1 035 429	1 125 250
	<b>2 336 665</b>	<b>2 569 128</b>
<b>22. Investment revenue</b>		
<b>Interest revenue</b>		
Other interest	2 488 063	1 871 987
<b>23. Finance costs</b>		
Other interest paid	2 272 131	2 176 142
<b>24. Contracted Services</b>		
Other Contractors	3 682 409	1 251 678
<b>25. Grants and subsidies paid</b>		

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

2009  
R

2008  
R

### 20. Employee related costs (continued)

Grant expenditure

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>25. Grants and subsidies paid (continued)</b>		
Grant expenditure	28 676 866	8 408 746
Please refer to note 18 and Appendix F for further details		
<b>26. Bulk purchases</b>		
Electricity	2 978 568	3 167 127
Water	42 253 832	56 394 245
	<b>45 232 400</b>	<b>59 561 372</b>
<b>27. Cash generated from operations</b>		
Surplus for the year	104 893 176	71 111 361
<b>Adjustments for:</b>		
Depreciation and amortisation	8 773 778	19 987 949
Deficit on sale of assets	-	11 377
Interest received	(2 488 063)	(1 871 987)
Finance costs	2 272 131	2 176 142
Impairment deficit	15 410 169	-
Non-operating income	(540 557 244)	78 517 791
Capital grants used to purchase property, plant and equipment	-	(95 745 082)
Offsetting of depreciation	1 974 145	17 227 291
Transfer of government grant reserve	472 572 781	-
Write off of loan	1 534 425	-
Write off of accumulated depreciation	51 014 035	-
Other adjustments	(1 455 906)	3 917 600
<b>Changes in working capital:</b>		
Inventories	797 715	(1 691 321)
Other debtors	6 219 917	(25 066 364)
Consumer debtors	(15 495 919)	-
Prepayments	(142 278)	-
Trade and other payables	11 045 134	31 611 085
VAT	20 422 762	(6 215 564)
Unspent conditional grants and receipts	(33 199 718)	5 366 067
Provisions	(390 618)	382 061
	<b>103 200 422</b>	<b>99 718 406</b>

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>28. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Property, plant and equipment	134 222 000	134 037 817
Approved but not yet contracted for	47 000 000	-
<p>This expenditure relates to infrastructure assets and will be financed by Municipal Infrastructure grant funds. The commitments which have been approved and not yet contracted for relates to infrastructure assets and will be financed by an external loan.</p>		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	808 422	-
- in second to fifth year inclusive	470 616	-
	<b>1 279 038</b>	<b>-</b>
<p>Operating lease payments represent rentals payable by the entity for motor vehicles and photocopier machines</p>		
<b>29. Related parties</b>		
Relationships		
Municipal entity	Umhlosinga Development Agency (Proprietary) Limited	
<b>Related party transactions</b>		
<b>Expenses paid on behalf of related party</b>		
Telephone expenses	94 370	36 173
Salary cost of seconded Chief Operating Officer	555 169	232 049
<b>30. Prior period errors</b>		
<p>Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)</p>		
Other 1		
Other 2		
Other 3		
<p>The correction of the error(s) results in adjustments as follows:</p>		
<b>31. Subsequent events</b>		
<p>There have been no post balance sheet events</p>		
<b>32. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	2 017 061	2 118 583
Amount paid - current year	(2 017 061)	(2 118 583)
	-	-

# UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2009

## Notes to the Annual Financial Statements

	2009 R	2008 R
<b>32. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Current year payroll deductions	5 968 083	4 961 275
Amount paid - current year	(5 968 083)	(4 961 275)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deductions	7 433 272	6 398 433
Amount paid - current year	(7 433 272)	(6 398 433)
	-	-
<b>VAT</b>		
VAT receivable	-	18 657 201
VAT payable	1 765 561	-
	<b>1 765 561</b>	<b>18 657 201</b>

