

UMZINYATHI DISTRICT MUNICIPALITY



ANNUAL REPORT

2011/12

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Acronyms and Abbreviations

IDP	Integrated Development Plan
LED	Local Economic Development
NSDP	National Spatial Development Perspective
PSEDS	Provincial Spatial Economic Development Strategy
LCF	Local Competitiveness Fund
ISRDP	Integrated Sustainable Rural Development Programme
NGO	Non Governmental Organisation
CBO	Community Based Organisation
MIG	Municipal Infrastructure Grant
DCOGTA	Department of Co-operative Governance and Traditional Affairs
MFMA	Municipal Finance Management Act
SCM	Supply Chain Management
MSA	Municipal Systems Act
BEE	Black Economic Empowerment
EEP	Employment Equity Plan
WSP	Workplace Skills Plan
IGR	Intergovernmental Relations
DCF	District Coordinating Forum
MTAS	Municipal Turnaround Strategy
MDG	Millennium Developmental Goals

Foreword by the Mayor

It is my pleasure to present the Annual Report which comprises the Annual Performance Report for the year ended 30 June 2012, as required in terms of section 121 (1) of the Municipal Finance Management Act No. 56 of 2003 and section 46 of the Municipal Systems Act No. 32 of 2000. During the year under review, the municipality was faced with challenges in terms of service delivery backlogs which had to be reduced for water and sanitation for our respective community.

The municipality managed to meet its standards in terms of service provision as the targets that were set during the beginning of the financial year in terms of infrastructure development were all achieved, and in some areas were achieved more than what was set as the targets. This is an indication that the municipality is committed in delivering the services in terms of water and sanitation according the RDP standards thereby adhering the Millennium Development Goals.

In terms of financial management, the municipality managed to obtain an unqualified Audit Report from the Auditor General for year ended 30 June 2011, and this is based on how the municipality has conducted its affairs in terms of financial management in line with the good governance principles. The municipality is also consistently continuing with the recruitment of the Financial Interns in order to give a chance to our young and aspiring Municipal Chief Financial Officers to grow and realize their potential, and at the same time we are strengthen our municipal financial capacity.

In terms of capacity development, during the year under review, the municipality continued with the implementation of the two (2) incubation programmes which is construction and agricultural development. This is a platform which has been created by the municipality in terms of investment on the community on training and development, on construction and agriculture, which is one of our key sectors. Through this process, the municipality is empowering the community on entrepreneurship development.

As from the 01 July 2012, the municipality will be taking over the function of Billing for the water provision from Uthukela Water. Through this process, the municipality is showing that it is in control in terms of service delivery thereby improving the lives of our community.

I must also thank the administration for the commitment and dedication in terms of ensuring that the municipality delivers on its mandate which is community development. I must conclude by thanking the Honourable Councillors for their hard work and dedication.

I thank you!

Cllr J.M Mthethwa

Honourable Mayor

Message from the Municipal Manager

During the year under review which is 2011/12 financial year, saw the municipality growing from strength to strength as being indicated by the successes it has made in terms of service delivery thereby improving the lives of the community we are serving within the district. However, this does not mean that there are no longer challenges as the major unconquered remained which is the backlogs in service delivery.

The municipality provided good performance on service delivery in the face of stringent budget and massive backlogs to be dealt with. The budget provided for the provision of infrastructure was well spent and over spent to some extent in order to ensure that the community received clean water and sanitation facilities. During the year under review, the municipality managed to reduce the water backlog by 3172 households and sanitation by 6115 households. In both targets, the municipality managed to exceed its targets which were set during the beginning of the financial year.

Current municipal backlogs for water and sanitation still remain at 30% (30 714 households) for water and 25% (26 382 households) for sanitation, this is besides the hard work achieved by the municipality and also one hundred percent expenditure achieved in terms of the MIG, RBIP, Massification programme.

In light of the number of households with either have inadequate or no services at all in terms of water and sanitation, this was not sufficient to eradicate the services backlogs. Much more effort will be given in this area during the forthcoming financial year. The integrated development plan and turnaround strategy objectives were achieved to a large extent. The generation of revenue for the municipality is critical in order to enhance service delivery mechanisms as grant funding from government can never be adequate.

On the local economic development side, the municipality also made progress as the implementation of the incubation programmes which is agriculture and construction were implemented effectively. The construction incubation programme is aimed at providing training, capacity building and mentorship to emerging contractors (particularly women) in order to ensure that they have adequate technical and business skills to become active players in the main stream economy. The agricultural incubation programme is

aimed providing mentorship and training for emerging / small scale farmers to enable them to convert from farming purely for subsistence purpose, to farming commercially. A range of jobs were created for the local community on both programmes.

The municipality is also committed to a clean administration which upholds a very high level of ethics which finds expression in the municipality that is totally ethical and corruption free, which is focused on serving its community in terms of service delivery.

I would then like to thank the Councillors, Management and Staff of the municipality for the dedication and support provided during the year under which made the municipality to deliver on its mandate which is service delivery.

Thank You

Mr WJM Mngomezulu

Municipal Manager

Chapter 1: Introduction and Overview

1. INTRODUCTION

Umzinyathi District Municipality Annual Report which comprises of the Annual Performance Report is compiled in terms of section 121 (1) of the Municipal Finance Management Act No. 56 of 2003 and section 46 of the Municipal Systems Act No. 32 of 2000, a municipality, including its municipal entity, is required to prepare an annual report and an annual performance report for the year under review.

The purpose of the annual report is to provide a record of the activities of the municipality and its municipal entity, and a report on performance against the budget for that financial year with the aim of promoting accountability to the local community for the decisions made by the municipality and its entity. The annual performance report on the other hand reflects the performance of the municipality and its service providers during the financial year, comparison of performances of the current and previous financial years and measures taken to improve performance.

The municipality's 2011/12 annual report provides a true, honest and accurate account of the set performance and financial goals, the extent to which they were met, the resultant successes and the challenges that were experienced in pursuance thereof.

2. OVERVIEW

The uMzinyathi District Municipality (DC24) is one of the ten District Municipalities in the province of KwaZulu-Natal. The Municipality is bordered in the north by the aMajuba District Municipality, in the west by the uThukela District Municipality, in the south west by the uMgungundlovu District Municipality, in the south east by the iLembe District Municipality and in the east by uThungulu District Municipality as shown in Figure 1 below:

Figure 1: Provincial Context

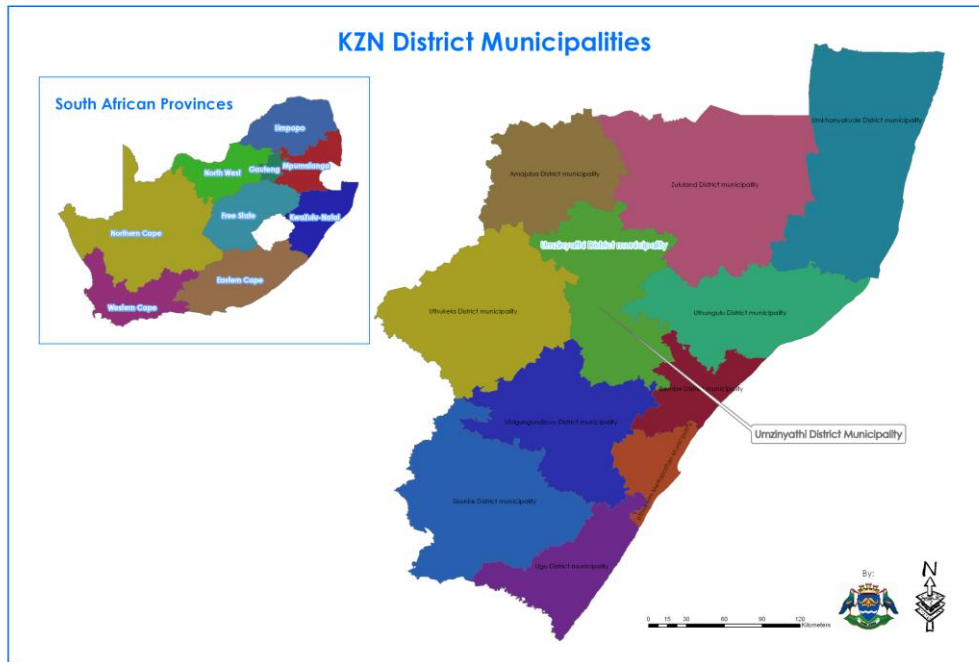


Figure 2: District Context



The District Municipality consists of four Local Municipalities as shown in Figure 2 above, namely:

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

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

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

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

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

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

2.1 DEMOGRAPHIC TRENDS AND CHARACTERISTICS

The comparative population figures for 2001 and 2007 at provincial, district and local municipality level is depicted in Figure 3 below. This information indicates that although the district population has increased from approximately 480 412 in 2001 to 495 748 in 2007, the average annual growth rate of 0.53% over this period is significantly lower than the provincial average of 1.17%. Two of the local municipalities experienced a decrease in population i.e. Nquthu and Msinga Local Municipalities. The strongest population growth was evident in Umvoti Local Municipality with an average annual population growth rate of just over 4% between 2001 and 2007.

Figure 3: Comparative population figures for 2001 and 2007

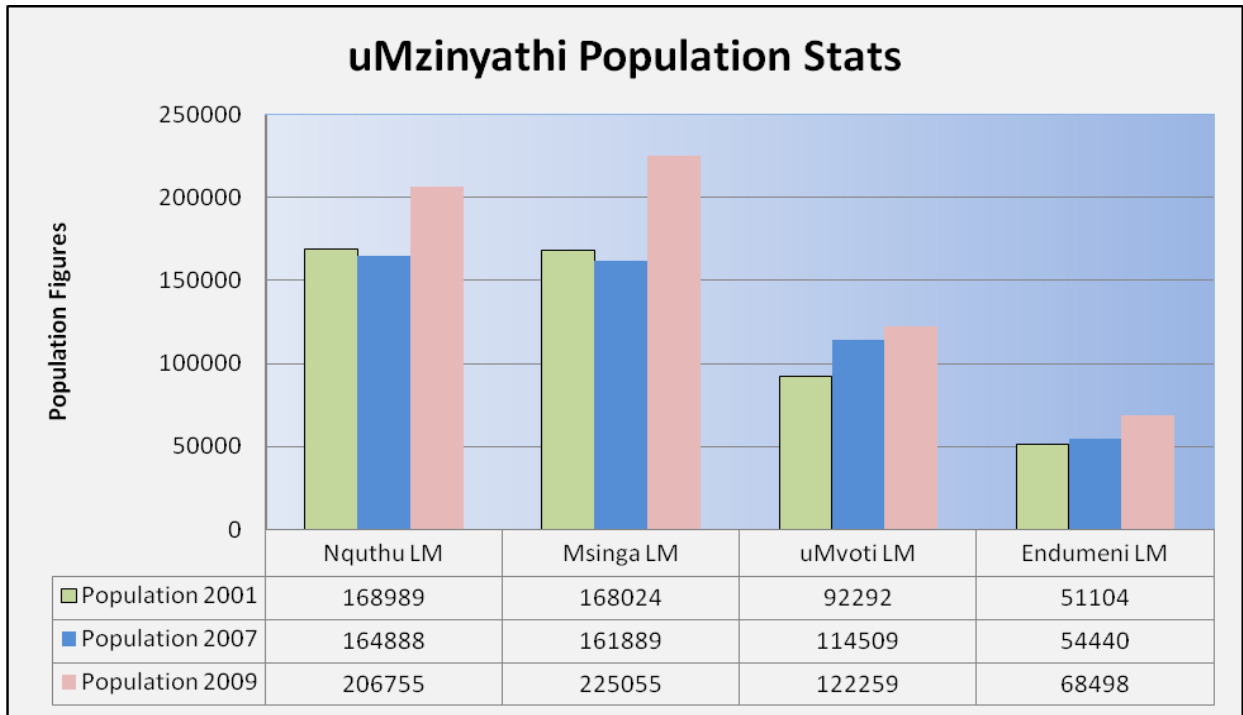
AREA	POPULATION 2001	POPULATION 2007	HOUSEHOLDS 2001	HOUSEHOLDS 2007	AVERAGE ANNUAL GROWTH (%)
KwaZulu Natal	9 584 129	10 259 240	2,117,274	2,234,129	1.17
Umzinyathi DM	480 412	495 748	93,770	104,535	0.53
Nquthu LM	168 989	164 888	29,318	32,169	-0.40
Msinga LM	168 024	161 889	32,505	32,592	-0.61
Umvoti LM	92 292	114 509	19,669	26,019	4.01
Endumeni LM	51 104	54 440	12,278	13,755	1.09

Source : 1. Statistics SA, Census 2001

2. Statistics SA, Community Survey 2007

Figure 4 provides comparative population figures for 2001 and 2007 STATS SA, and also 2009 Umzinyathi household survey. This information indicates that although the district population has increased from approximately 480,412 in 2001 to 495,748 in 2007, the 2009 household survey undertaken by the municipality to bridge the population gap, indicates that the population has increased substantially to 622 567.

Figure 4: Comparative Population figures for 2001 and 2007 STATS SA, and also 2009 Umzinyathi Households Survey



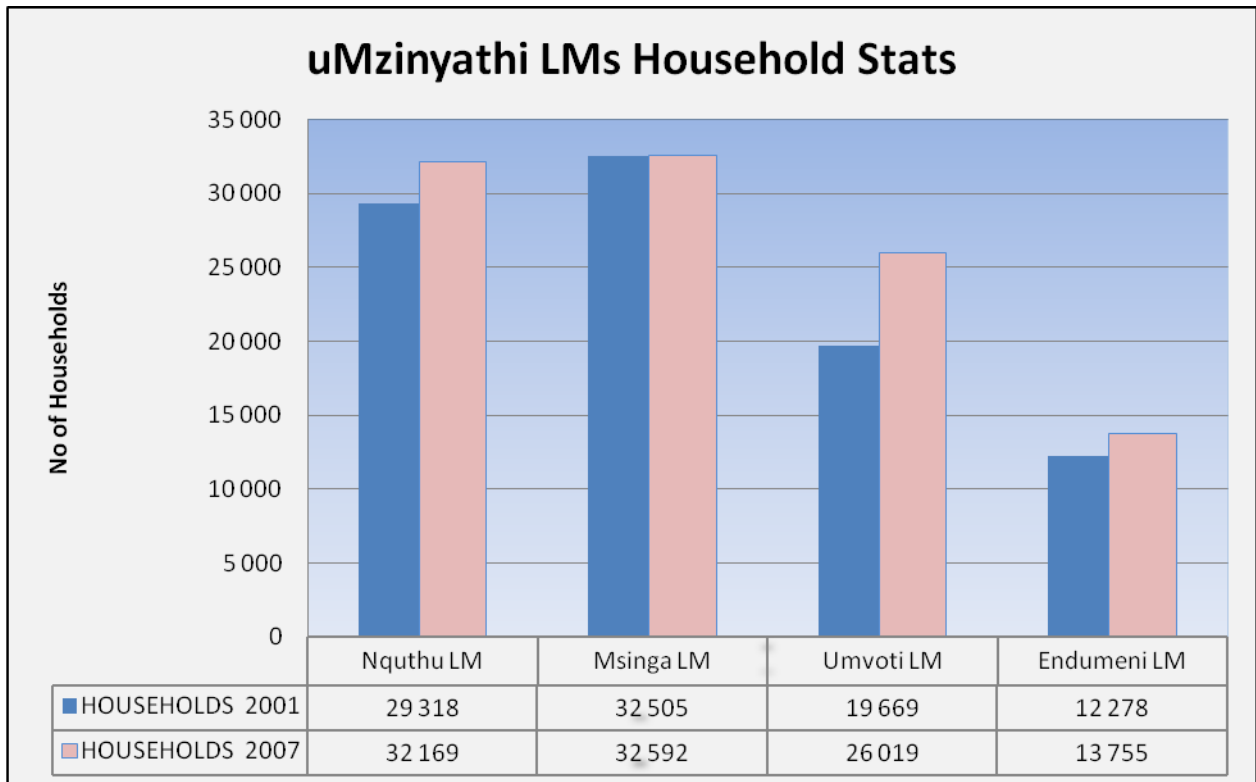
Source: Stats SA: Census 2001

Stats SA; Community Survey 2007

Umzinyathi DM: Household Survey 2009

The comparative household figures for 2001 and 2007, within the district municipality are depicted in Figure 5 below. This information indicates that the households within the district have increased substantially from 93,770 to 104,535 with Nquthu and Umvoti experiencing the highest household growth.

Figure 5: Comparative Household figures for 2001 and 2007 STATS SA

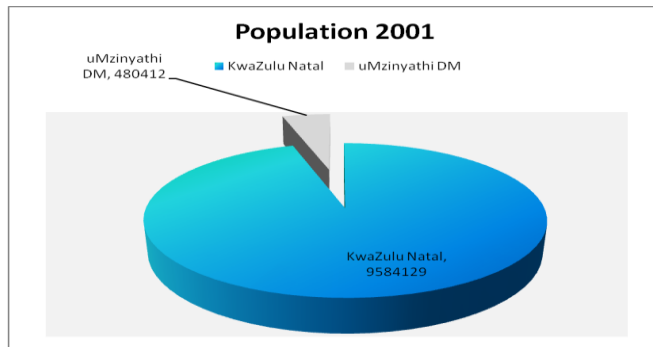


Source: Stats SA: Census 2001

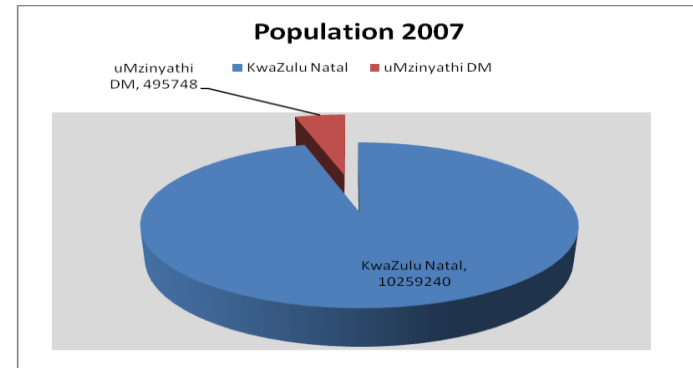
Stats SA; Community Survey 2007

Figure 6 below provides the comparative population figures of the district in relation to the province between 2001 and 2007. During 2001, the population of the district represented 480,412 of 9,584,129 provincial population. During 2007, the the district population represented 495,748 of 10,259,240 provincial population.

Figure 6: Comparative Population Figures of the district in relation to the Province



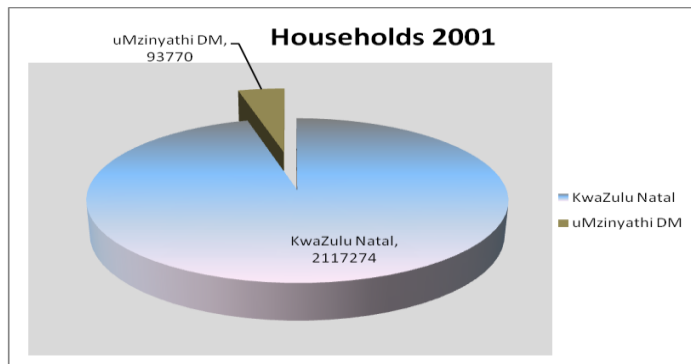
Source: Stats SA: Census 2001



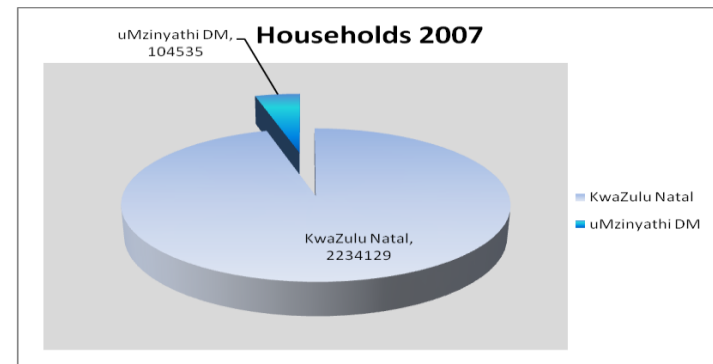
Source: Stats SA: Community Survey 2007

Figure 7 below provides the comparative households of the district in relation to the province between 2001 and 2007. During 2001, the households of the district represented 93,770 of 2,117,274 provincial households. During 2007, the the district households represented 104 535 of 2 234 129 provincial households.

Figure 7: Comparative Household Figures of the district in relation to the Province



Source: Stats SA: Census 2001



Source: Stats SA: Community Survey 2007

2.2 VISION, MISSION AND CORE VALUES

2.2.1 Vision

“A dynamic, corruption-free and viable district that promotes integrated and sustainable development”

2.2.2 Mission

“We are a united family of municipalities that champions service delivery through co-operative governance and public participation”

2.2.3 Core Values

- Commitment;
- Excellence;
- Customer Focus;
- Innovation;
- Trust;
- Transparency; and
- Integrity.

2.3 OVERVIEW OF THE LOCAL MUNICIPALITIES WITHIN UMZINYATHI DISTRICT MUNICIPALITY

2.3.1 Endumeni Local Municipality

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

2.3.2 Nquthu Local Municipality

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

2.3.3 Msinga Local Municipality

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

2.3.4 Umvoti Local Municipality

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

Chapter 2: Programme Performance

Analysis of Municipal Performance Information for 2011/12 Financial Year

The analysis of the 2011/12 performance information is aligned to the local government strategic agenda as per the following Key Performance Areas:

KPA 1: Municipal Transformation and Organizational Development

KPA 2: Basic Service Delivery

KPA 3: Local Economic Development

KPA 4: Municipal Financial Viability and Management

KPA 5: Good Governance and Public Participation

KPA 6: Cross-Cutting Issues

Concluding Remarks

1: Key Performance Area

Municipal Transformation and Organisational Development

This Key Performance area covers the following areas:

- Performance Management Systems.
- Filling of Section 57 Manager positions;
- Signed performance agreements by Section 57 Managers;
- Disciplinary processes against Section 57 Managers;
- Employment Equity
- Human Resource Development Strategy
- Municipal Budget spent on implementing workplace skills plan
- Challenges experienced in municipal transformation and organizational development
- Measures taken to improve performance
- Recommendations (including assistance required)

Performance Management System

Table 1: Implementation on PMS implementation in municipalities- 2011/12

Municipality	Does the municipality have a PMS Policy Framework developed /reviewed and adopted by Council (State date of adoption)	Did the municipality review/develop its IDP and engaged with the community in the process	Is the municipality's adopted IDP linked to SDBIP?	No of Section 56/7 Performance contracts signed?	No of Section 56/7 managers with signed Performance Agreements?	Is the municipality's PMS audited by an Internal Auditor for functionality and legal compliance?	Has the municipality Appointed Performance Audit Committee (PAC)	Did the municipality submit previous year's council oversight report and made public	No of quarterly performance reports submitted	Has the municipality cascaded PMS to lower levels	State reasons for non-compliance of any of these components
Y/N:	Yes	Yes	Yes	5	5	Yes	Yes	Yes	4	No	There is no framework in place as yet to cascade performance management system to lower levels
Date:	May 2011	May 2011	May 2011	June 2011	July 2011	July 2011	July 2011	February 2011	June 2012		

Table 2: Linkage between IDP and SDBIP

Municipality	2009/10			2010/11			2011/12		
	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP	IDP Framework/ Process Plan Approved	IDP adopted and Submitted	Is the IDP aligned to SDBIP
Y/N:	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Date:	August 2008	May 2009	June 2009	August 2009	May 2009	June 2009	August 2010	May 2010	June 2010

Table 3: Filling of Section 56/7 Managers posts

Municipality	2009/10			2010/11			2011/12			Reasons for vacancies
	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies	No of posts approved	No of posts filled	No of vacancies	
Municipal Manager	01	01	01	00	01	00	01	01	00	None
Chief Financial Officer	01	01	01	00	01	00	01	01	00	None
Technical	01	01	01	00	01	00	01	01	00	None
Corporate Services	01	01	01	00	01	00	01	01	00	None
Manager in Mayors Office	00	00	00	00	01	00	01	01	00	None
										None
TOTAL	04	04	04	00	05	00	05	05	00	

Table 4: Disciplinary processes against Section 56/7 Managers

Municipality	2009/10			2010/11			2011/12		
	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases	No of reported cases	No of pending cases	No of resolved cases
Number:	00	00	00	00	00	00	00	00	00

Compliance with the EEA

Table 5: Women appointments – Section 56/7 Managers

Municipality	2009/10			2010/11			2011/12		
	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers	No. of Section 56/7 posts approved	Women appointed in Section 56/7 posts	No of vacancies for women Section 56/7 Managers
Number:	00	00	00	00	00	00	01	01	01

Table 6: Employment of people with disabilities (The entire Organization)

Municipality	2009/10			2010/11			2011/12		
	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities	Total no. of people with disabilities	No. of Section 56/7 Mangers with disabilities	No of vacancies for people with disabilities
Number:	00	00	00	00	00	00	01	00	00

Table 7: Employment of employees that are aged 35 or younger (Whole Organization)

Municipality	2009/10			2010/11			2011/12		
	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger	Total approved posts	No of posts occupied by staff aged 35 or younger	% of posts occupied by staff aged 35 or younger
Number and percentage:	76	33	85%	74	49	66.2%	123	43	35%

Table 8: Development and Implementation of specific HR policies and systems per municipality – 2011/12

Municipality	Recruitment and selection policy			Skills Development Plan			EE Plan			HRM and HRD policies		
	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented	Reviewed /Developed	Approved	Implemented
Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Date:	18/04/2012	18/04/2012	19/04/2012	29/06/11	29/06/11	30/06/12	01/10/2011	16/01/2012	16/01/2012	18/04/2012	18/04/2012	18/04/2012

Table 9: Workplace Skills Plans submitted by municipalities

Management level	municipality	2009/10		2010/11		2011/12	
		Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained	Total No of staff approved	No. of staff trained
Councillors		23	15	22	22	24	22
Senior Management level		04	04	04	04	04	04
lower level employees		20	20	32	32	33	32
Technicians and professional		31	28	32	32	39	32
Labourers		09	09	07	07	08	07
TOTAL		87	76	97	97	108	97

Section 139 interventions

Table 10: Has the municipality been put under section 139 interventions. If YES, which year(s)

municipality	2009/10	2010/11	2011/12
Y/N:	No	No	No
Year:			

1.1 CHALLENGES

- Lack of affective policies to strengthen and also to effective operational arrangements for the municipality.
- Lack of effective implementation of the Workplace Skills Plan due to financial constraints
- Lack of effective policy implementation

1.2 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Effective implementation of policies to strengthen and also to effective operational arrangements for the municipality
- Provision of reasonable budget to enable effective implementation of the policies

1.3 RECOMMENDATIONS

- Specialist person be sourced to workshop councillors and staff on the impact of policies in the organisation
- Funding for training and development of councillors and staff needs to be prioritised and aligned.

2: Key Performance Area

Basic Service Delivery and Infrastructure Investment

This Key Performance Area covers the following areas:

- Progress
 - Access to Free Basic Services
 - Water
 - Sanitation
 - Electricity
 - Refuse removal
 - Access to Basic Services
 - Water provision
 - Waste Water
 - Electricity
 - Waste management
 - Housing
 - Bucket System Eradication
 - Indigent Policy implementation
 - Roads and Transport
 - Infrastructure
 - Transport (vehicle registrations)
 - Public bus transportation
- Challenges experienced in basic service delivery (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 11: Access to basic services

Municipality	2009/10										2010/11						2011/12													
	Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)		Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)		Housing		Water (on site)		Sanitation		Refuse removal		Electricity (in house)	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
No. of hh			2635	2653	8896	9003					3000	3462	3639	6779							2618	3172	3800	11205						

Housing Backlogs = 55 000 units - Function being performed by the local municipalities

Sanitation Backlogs = 7% (7309 households)

Water supply Backlogs =30% (29745 households)

Electricity Backlogs = 64% - Function being performed by the local municipalities

Waste Removal = 80% - Function being performed by the local municipalities

Table 12: Blue Drop Water Certification per province (Applicable to Water Service Authorities)

Municipality	2009/10		2010/11		2011/12	
	Did the municipality receive a blue drop certification?	If not, state the reason	Did the municipality receive a blue drop certification?	If not, state the reason	Did the municipality receive a blue drop certification?	If not, state the reason
Y/N and reason	No	Mainly it was because of the lack of human resources and the issues of routine reporting.	No	Improved from the previous assessment	Yes	

Table 13: Total grants, donations and contributions received per municipality

Municipality	2009/10			2010/11			2011/12		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages MIG Programme	115,134,761.06	142, 494,831.82	124	75 274 192	119 573 755	159	161 942 339.31	179 437 433.59	111

Municipality	2009/10			2010/11			2011/12		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages RBIG Programme	12 499 800.00	14 289 766.81	114	22 970 600.00	9 210 820.00	40	1 357 600.00	10 238 269.10	754

Municipality	2009/10			2010/11			2011/12		
	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent	Allocations	Amount spent	% spent
Rands and percentages- MASSIFICATION Programme	0.00	0.00	0	11 907 000	3 329 072	28	11 706 419.74	12 950 522.16	111

Indigent Policy implementation with regard to provision of free basic services

Table 14: Indigent Policies and Registers

Municipality	2009/10			2010/11			2011/12		
	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place	Reviewed /developed indigent policies	Indigent policy implemented	Indigent registers in place
Y/N:	Y	Y	Function being performed by the LMs	Y	Y	Function being performed by the LMs	Y	Y	Function being performed by the LMs
Date:	February 2009	July 2009		February 2010	July 2010		February 2011	July 2011	

Table 15: Status on the provision of free basic services by municipalities (2011/12)

Municipality	Electricity		Water		Sanitation		Refuse removal	
	No of indigent households receiving free service	Units per household (kwh)	No of indigent households receiving free service	Units per household (kl)	No of indigent households receiving free service	Units/ R value pm per household	No of indigent households receiving free service	Units/ R value pm per household
Number of H/holds and units	Function being performed by the LMs	Function being performed by the LMs	104535	6kl	None	Rural Sanitation VIP Toilets	Function being performed by the LMs	Function being performed by the LMs

2.1 WATER AND SANITATION PROJECTS

During 2011/12 financial year, the strategy for Basic Service Delivery and Infrastructure Development was to reduce the water backlog which was 33% (32917 households) by 8% (2618 households) for water, and reduce the sanitation backlog which was 18% (17712 households) by 21% (3800 households) by 30 June 2012. The implementation of these projects adhered fully to EPWP regulations, as 25% of the project value was EPWP compliant. The municipality projects implemented by the municipality during the year under review are as follows:

2.1.1 Water Projects

Municipality	Ward No.	HH	Project Name	Budget	Expenditure	Reason for variance
Endumeni	1	0	Glencoe Sithembile Housing Bulk Services	12 000 000.00	7 396 278.68	Slow progress of the project
Endumeni	9	0	Endumeni / Nquthu bulk	-	1 507 376.67	Budget adjusted and re-allocated to accelerate expenditure
Endumeni	9	0	Dundee bulk		3 789 728.48	
Nquthu	1,2,3	0	Hlazakazi water scheme phase 1 – Isandlwana	10 000 000.00	489 942.78	Under-expenditure caused by delays in project registration by MIG office
Nquthu	1	0	Qhudeni water scheme	-	-	N/A
Nquthu	2,5,14,15	0	Ntinini Water	-	1 685 246.42	Budget adjusted and re - allocated accelerate expenditure
Nquthu	5,7,8,11,12	206	Muden/Ophathe Rehab/Ndindindi scheme	-	-	N/A
Nquthu	16	170	Leneha	-	-	N/A
Nquthu	3	0	Vant's drift	-	604 320.78	Budget adjusted and re - allocated accelerate expenditure

Msinga	12	0	Mthembu West - Tugela Ferry Water		953 308.93	Slow progress by the contractor
Msinga	12	0	Mthembu West - Extension	12 000 000.00	431 142.06	
Msinga	16	600	Ngubukazi water scheme	6 500 000.00	1 847 590.65	Slow progress by the contractor
Msinga	7	0	Msinga Top/Othame	-	-	N/A
Msinga	6	0	Mbono water	13 038 024.00	10 768 449.28	Slow progress by the contractor
Msinga	1	0	Douglas Water	-	9 633 522.14	Budget adjusted and re - allocated accelerate expenditure
Msinga	1	0	Msinga bulk	-	5 951 498.45	Budget adjusted and re - allocated accelerate expenditure
Msinga	2	0	Pomeroy Sub-Regional Water Scheme	-	1 508 849.98	Budget adjusted and re - allocated accelerate expenditure
Msinga	9	125	Uitkyk	-	-	N/A
Msinga	10	1 008	Kwakopi	-	-	N/A
Umvoti/Msinga	9	0	Muden Regional	11 054 273.00	20 835 712.06	Budget adjusted and re - allocated accelerate expenditure
Msinga	1	0	Keates Drift Water Scheme	12 500 000.00	7 615 436.60	Budget adjusted and re - allocated accelerate expenditure
Umvoti/Msinga	9	0	Ndaya	14 500 000.00		Budget adjusted and re - allocated accelerate expenditure
Umvoti	6	316	Makhabaleni water phases 4,5 and water works	8 000 000.00	15 597 105.58	Budget adjusted and re - allocated accelerate expenditure

Umvoti	6	0	Makhabaleni water phase 6			Budget adjusted and re - allocated accelerate expenditure
Umvoti	14	0	Mbulwane/Hlimbithwa Water	2 100 000.00	-	Non performance by the consultant
Umvoti	8	250	Ophathe water	8 000 000.00	829 586.82	Budget adjusted to accelerate expenditure
Umvoti	8	0	Eshane water supply scheme phase 1	9 000 000.00	6 817 896.18	Non performance by the consultant
Umvoti	2,3	0	Greytown regional bulk	1 357 600.00	10 238 269.10	Budget adjusted and re - allocated accelerate expenditure
Umvoti	7	497	Greytown 492 housing project	11 706 419.74	12 950 522.16	Savings
Umvoti	7	0	Matimatolo water project			Savings
All LMs		0	Rudimentary	6 000 339.31	1 806 894.40	Savings
All LMs		0	Rehabilitation of boreholes		3 813 836.11	Savings
Total		3,172		137,756,656.05	127,072,514.31	

2.1.2 Sanitation Projects

Municipality	Ward No.	HH	Project Name	Project Budget	Expenditure	Reason for variance
Nquthu	1,2,3,5,8	1 285	Qhudeni – Manxili sanitation	2 000 000.00	-	Project funded under the Nquthu sanitation project
Nquthu	5,6,7,8,9,10,11	1 500	Nquthu sanitation	-	7 700 882.10	Budget adjusted to accelerate expenditure
Nquthu	7	0	Nondweni Town Sewage Disposal	-	-	N/A
Msinga	5,6,7,8,9,10	2 632	Kwakopi – Mhlangana sanitation	7 500 000.00	24 999 561.63	Budget adjusted and re - allocated accelerate expenditure
Msinga	12,13	211	Othame sanitation	-	1 953 835.52	Budget adjusted and re - allocated accelerate expenditure
Msinga	1,2,14,15,16,17,18,19	2 529	Pomeroy – Nkalane-Douglas sanitation	14 625 000.00	21 924 585.43	Budget adjusted and re - allocated accelerate expenditure
Umvoti	8,11	2 124	Muden/Ophathe sanitation	8 000 000.00	10 819 562.38	Budget adjusted and re - allocated accelerate expenditure
Umvoti	1	809	Mbulwane/Hlimbit hwa Sanit.	5 124 703.00	5 363 792.30	Budget adjusted and re - allocated accelerate expenditure
Umvoti	9	0	Mbuba – ward 9 sanitation	-	-	N/A
Umvoti	4,10	60	uMvoti sanitation	-	-	N/A
Umvoti	5,6	55	Makhabeleni sanitation	-	2 791 491.18	Budget adjusted and re - allocated accelerate expenditure
Total		11,205		37,249,703.00	75,553,710.54	

2.1.3 Rudimentary Projects

The municipality also implemented the Rudimentary programme during 2011/12 to ensure that communities with no water schemes as yet have access to water which includes boreholes, springs protection etc. The project details are as follows:

LM	Wards Covered	No. of Households	Project Name	Budget	Expenditure	Comments
Various	Various	8 000	Rudimentary	6,000,000.00	5,620,730.51	N/A

2.1.4 Other Infrastructure Projects

LM	Wards No	No. of Households	Project Name	Project Budget	Expenditure	Comments
Msinga	N/A	N/A	Msinga Community Hall	-	1 200 000.00	Budget adjustment to spend MIG VAT refund
Nquthu	N/A	N/A	Decommiss Nquthu Sewer	-	1 264 036.94	Budget adjustment to spend MIG VAT refund
Msinga	N/A	N/A	Halodi gravel road	-	1 040 342.11	Budget adjustment to spend MIG VAT refund
Nquthu	N/A	N/A	Qhudeni Maxhilini Sanitation	-	4 724 750.54	Budget adjustment to spend MIG VAT refund
Msinga	N/A	N/A	Othame Sanitation	-	816 775.76	Budget adjustment to spend MIG VAT refund
Msinga	N/A	N/A	Ndaya Regional Water	-	1 002 120.84	Budget adjustment to spend

						MIG VAT refund
Nquthu	N/A	N/A	Nquthu Sports Stadium	410 538.00	282 764.12	Budget adjustment
Msinga	N/A	N/A	Enkamba Community Hall1 Msinga	-	-	Budget adjustment to spend MIG VAT refund
UMvoti	N/A	N/A	Development of 2 Landfill Sites	-	300 000.00	Budget adjustment to spend MIG VAT refund
Msinga	N/A	N/A	Pomeroy Complex Phase 1	-	1 564 491.16	Budget adjustment to spend MIG VAT refund
				410,538.00	12,195,281.47	

The municipality utilized different funding sources to implement the above mentioned projects, which made it possible for the municipality to deliver on its developmental mandate thereby reducing the backlogs. The breakdown of the funding sources is as follows;

Funding Source	Project Budget	Expenditure
MIG	161 942 339.31	179 437 433.59
WATER AFFAIRS	1 357 600.00	10 238 269.10
MUNICIPAL FUNDING	410 538.00	12 195 281.47
COGTA	11 706 419.74	12 950 522.16
TOTAL	175 416 897.05	214 821 506.32

2.2 EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

Umzinyathi District Municipality is also committed in training and developing communities through the EPWP programme, thereby promoting economic growth and creating sustainable development. During the year under review, the municipality obtained R 697,000.00 from EPWP and was utilized for the application of labour intensive methods for the benefit of the local community for Nsuze, Savuyi and Kwamfeka water spring projects.

In terms of the water projects, communities were trained and skilled in plumbing, bricklaying, concrete works, pipe laying, steel fixing and elementary project management. In terms of sanitation, communities were trained and skilled bricklaying and panel laying. In total, 1320 people (youth – 440, women – 387 and men – 493) benefited through the Expanded Public Works Programme within the municipality.

2.3 REGIONAL SOLID WASTE DUMP SITES

Umzinyathi District Municipality has been facing challenges with regard to pollution and unrehabilitated waste sites which threaten the ever shrinking air space due to waste generated by the economic activities and illegal dumping. During the year under review, the municipality commenced with the process of establishing two regional waste sites in response to the challenges, and each waste site is to be shared by two local municipalities. The Department of Environmental Affairs has made a budget available to the amount of R 30,000,000.00. The implementing agents for the two sites have been appointed and they have submitted the business plans to the department, and awaiting approval. The municipality also completed the rehabilitation of Glencoe and Pomeroy landfill sites.

2.4 CHALLENGES

- The current trend of funding allocations from the various programmes collectively over the next financial years will position the municipality to achieve the the Millenium Development Goals by 2020. The funding interventions that are available are unicipal Infrastructure Grant, RBIG, Massification and own capital collectively measured against the required 3.2 billion needed to eradicate the backlogs as per the Infrastructure Master Plan;
- The district has settlement patterns that are sparsely populated and that leads to the increase of unit costs for the service delivery;
- The topography is rocky and there is a huge lack of infrastructure, and that also contribute to the costs thus making it expensive to provide services to the community; and
- Scarcity of skills within the region thus forcing for the importing of the required skills at a high cost

2.5 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Additional funding is being lobbied through financial institutions and other companies that have capacity to source funding in anticipation of accelerating the service delivery. This assignment is being undertaken so that the DORA Gazetted amounts of the five MTEF are going to be pledged against any loans that can be secured, and secondly the intention to implement the projects using current rates than the future expensive ones.
- The municipality has put up the internal team to be able to manage the planning and programme management of all projects. This has enabled the municipality to be in a position to meet its financial obligation; and
- Upfront planning through the appointment of service providers for the up and coming financial year for the preparation of tender processes.

2.6 RECOMMENDATIONS

- Recruitment of more personnel to strengthen the internal technical capacity;
- Effective implementation of the retention strategy;
- Sourcing of more funding to eradicate backlogs through bankable business plans.

3: Key Performance Area Local Economic Development

This Key Performance Area will cover the following areas:

- Progress
 - Number of jobs created through infrastructure capital projects (*this should include Previously Disadvantaged Individuals*)
 - Development and implementation of LED strategies and plans
 - Capacity for implementing LED in municipalities
- Challenges experiences in local economic development (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 16: Municipalities with adopted and implemented LED strategies

Municipality	2009/10			2010/11			2011/12			Reasons for no strategy in place
	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	LED strategy reviewed/ developed	LED strategy approved	LED strategy implemented	
Y/N:	YES	YES	YES	Implementation plan reviewed YES	Yes	Yes	Yes	Yes	YES	
Date:	-	-	-	-	-	2010/2011	July 2011		2011/2012	

Table 17: Capacity of municipalities to implement LED

Municipality	2009/10		2010/11		2011/12	
	No of posts approved	No of filled posts	No of posts approved	No of filled posts	No of posts approved	No of filled posts
Number:	3	2	3	2	11	10

Figure 18: Number of jobs created per Municipality

Municipality	2009/10			2010/11			2011/12		
	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives	No. of jobs created through EPWP	No. of jobs created through CWP	No. of jobs created for Co-operatives
Number:	126	-	-	330	-	-	881	-	-

Table 19: EPWP implementation per Municipality (2011/12)

Municipalities	Person-years of work including training	Person-Years of training	Gross number of work opportunities created	No of youth	No of women	No of people with disabilities
Number and percentage	1320	1	881	440	387 (women) 493 (men)	0

3.1 EMERGING CONTRACTORS DEVELOPMENT

During 2008/09, the municipality established a facility to service emerging contractors, particularly women in construction. The project was conceptualized with the intention of redressing the imbalances of the past within the construction sector by providing training, capacity building and mentorship to emerging contractors (particularly women) in order to ensure that they have adequate technical and business skills to become active players in the main stream economy. The original intake constituted of 30 women, of which most of them are grade one on the CIDB register. One of the key deliverables of the projects was to assist the incubatees to advance at least one grade in the CIDB register by the end of the three year cycle.

During 2011/12 financial year, the municipality awarded thirteen (13) projects to the incubatees for their advancement in terms of CIDB grading. After the completion of the above mentioned projects, the incubates will advance to the following grades: 05 Incubatees will advanced to 3CE PE, 04 Incubatees will advance to 3GB PE, 01 Incubate will advance will to 2GB PE and 01 Incubate will advance to 4CE PE

The first three year cycle of the programme came to an end during the year under review, and the municipality is currently undertaking an assessment exercise to gauge the impact of the programme since its inception and also to introduce improvements to the current model.

3.2 AGRICULTURAL INCUBATION PROGRAMME

The District was identified in 2001 as one of the Presidential nodes due to its status as one of the municipalities with the highest poverty rate sitting at 68%. During 2009/10, Umzinyathi Agriculture incubation programme was established in partnership with Mpumalanga Agri-Skills Development and Training, after undertaking a detailed research on the agricultural potential of the district. The intention of the programme is to provide mentorship and training for emerging / small scale farmers to enable them to convert from farming purely for subsistence purpose, to farming commercially.

To date, the programme has managed to establish twelve (12) SMME's and give support to twenty (20) incubatees that were recruited in 2010. The SMME's programme has manage to create thirty eight (38) direct jobs, two (2) seasonal jobs and eighty one (81) indirect jobs. The programme is under assessment and will continue to be implemented until March 2013

3.3 CHALLENGES

- Capacity constraints within the LED unit have posed a challenge in the implementation of local economic development programmes;
- Lack of capacity at local municipal levels has further compounded the challenge of proper coordination of District wide LED programmes;
- Poor participation of social partners in LED support structures such as the IDP/LED forum and sector forums has hampered meaningful coordination and implementation of LED in the District;
- Financial resources limitations have created a challenge and the lack of capacity to identify and leverage external funding has added to this challenge; and
- The Expanded Public Works Programme has previously been regarded as an infrastructure development support programme and confined to the Technical Services Department. Consequently, other departments and sectors, including LED have not reported on EPWP and this has affected the municipality's allocation of the incentive grant.

3.4 MEASURES TAKEN TO IMPROVE PERFORMANCE

- LED Technical support intervention by the Department of Economic Development and Tourism which entailed the deployment of a specialist to, amongst other things, augment capacity, help set up a function LED unit and facilitate skill development;
- The Council organogram was reviewed in 2011/2012 taking into consideration key existing vacancies and new posts which needed to be filled in order to improve the capacity of the unit. These include the LED Manager post which has now be filled, Economic Research and Development Officer, Small Business enterprise Development officer and Investment Promotions and Marketing officer;
- Due to overlapping issues between the IDP and LED processes and the recognition that both processes target the same social partners, the Municipality set up an IDP/LED structure which constitutes of officials from various sector departments and National and Provincial government as well as municipal officials. The main objective of the structure is to integrate and coordination the District's development endeavours;

- The Municipality has submitted an application to the Independent Development Corporation (IDC) for funding to set up an Economic Development Agency. It is envisaged that the agency would take over the function of identifying and exploring catalytic interventions, package proposals, leverage funding, market the District and facilitate strategic linkages and partnerships for economic development. The Municipality has enjoyed the support of the IDC on this concept however the recent developments which saw a change in the type of support offered by the IDC entails that the Municipality will have to seek alternative avenues to fund the establishment and initial operational costs of the agency. The successful establishment of this special purpose vehicle will begin to address the capacity issues as stated in the points above; and
- In the current financial year, the reporting on the LED programmes will ensure that the alignment to the EPWP principles is highlighted to enable an increase in the share from the incentives grant.

3.5 RECOMMENDATIONS

- The key / critical posts which remain vacant need to be filled urgently in order to improve capacity of the LED unit to implement LED;
- Whilst the issue of capacity remains a major impediment to successful implementation of LED, the contract period for the LED technical support intervention needs to be extended. The alternative to this is the setting up of a LED Project Management Unit of Agency and it should be ensure that the structure has a high level of skilled and capacitated team to drive economic growth and development in the District. This proposal will be submitted to the current funder (DEDT) and the support of the IDC and other funding institutions will also be solicited;
- Resolutions which emanated from the IDP/LED engagement process need to be cemented by tangible commitments from the various stakeholders and this should have timeframes and monitoring systems in place;
- The Municipality needs to intensify skills and capacity building initiatives aimed at the current staff within he LED unit; and
- The focus by the municipality with regards to allocation of the LED budget should be the creation of a basket of bankable proposals of economic development initiatives.

4: Key Performance Area Municipal Financial Viability and Management

This Key Performance Area consists of the following areas:

- Financial viability
- Capital expenditure by municipalities
- Compliance with the MFMA
- Municipal budgets, expenditure and revenue sources
- Financial viability defined in terms of debt coverage, outstanding debtors to revenue and cost coverage by h municipality
- Challenges experiences in municipal financial viability (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Capital Expenditure by Municipality

Table 20: Performance against budget by municipalities

Municipality	2009/10			2010/11			2011/12		
	Budget approved	Revenue	Expenditure	Budget approved	Revenue	Expenditure	Budget approved	Revenue	Expenditure
Rands:	188 397 320	189400074	170488620	186376018	112356797	134 330 759	186 892 111	185822919	211 735 817

Table 21: Total grants, donations and contributions received

Municipality	2009/10			2010/11			2011/12		
	Total donations, grants and contributions available	Total spent	% expenditure	Total donations, grants and contributions available	Total spent	% expenditure	Total donations, grants and contributions available	Total spent	% expenditure
Rands and percentage	70464064	178264234	39%	38781892	237715156	16%	24748808	156484216	15%

Table 22: A-G Opinion

Municipality	Audit Opinion 2009/10				Audit Opinion 2010/11				Audit Opinion 2011/12			
	Unqualified	Qualified	Disclaimer	Adverse	Unqualified	Qualified	Disclaimer	Adverse	Unqualified	Qualified	Disclaimer	Adverse
X	X				X				X			

Financial Viability

Table 23: Outstanding debt and debt management

Municipality	2009/10				2010/11				2011/12			
	Water & Electricity	Sewerage & Refuse	Housing	Other	Water & Electricity	Sewerage & Refuse	Housing	Other	Water & Electricity	Sewerage & Refuse	Housing	Other
Rands:	n/a	n/a	n/a	8057721	n/a	n/a	n/a	6231245	n/a	n/a	n/a	20323081

Table 24: Development of Revenue Enhancement Strategy

Municipalities	2009/10			2010/11			2011/12		
	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?	Strategy Reviewed /developed	Strategy implemented	Has the municipality's Revenue improved?
Y/N:	No	No	No	No	No	No	No	No	No
Date:									

4.1 CHALLENGES

- High service backlogs which require funding;
- Council resolution to take over Uthukela Water from the 1 July 2012; and
- High rate of grant dependency.

4.2 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Cash flow forecast prepared and cost cutting measures have been implemented; and
- Taking over of reticulation function from Uthukela Water; and
- Credit control policies implemented.

4.3 RECOMMENDATIONS

- Sourcing of external funding to eradicate backlogs; and
- Improve internal revenue collections.

5: Key Performance Area Good Governance and Public Participation

This Key Performance Area consists of the following areas:

- Progress
- Ward Committees
- Deployment of community Development workers
- Intergovernmental relations
- Anti-corruption
- Traditional leadership
- Presidential and Ministerial Izimbizo
- Standard operating procedures and delegations
- Challenges experiences in good governance and public participation (indicate specific municipalities)
- Measures taken to improve performance
- Recommendations

Table 25: Functionality of Ward Committees

Municipality	2009/10		2010/11		2011/12	
	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees	No. of functional Ward Committees	% of functional Ward Committees
Number and percentage:	N/A	N/A	N/A	N/A	N/A	N/A

Table 26: Total number of deployed CDW's per municipality

Municipality	2009/10		2010/11		2011/12	
	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards	No of CDW posts approved	No of CDW's deployed to wards
Number:	N/A	N/A	N/A	N/A	N/A	N/A

Table 27: Good governance indicators as at June 2012

Municipality	All admin delegations adopted	S59 MSA Delegations adopted	Roles of Committees and Political Office Bearers defined	Meetings convened					Number of meetings where quorum was <u>not</u> achieved		Code of conduct adopted (Council & staff)	Code communicated to community	Interests of councillors and staff declared	Councillors and staff members in arrears with municipal accounts
				Council	Executive mayoral committee	Portfolio Committee	Municipal Management	IDP Representatives	Council	Executive mayoral committee				
Y/N	Y	Y	Y	7	16	25	4	2	None	None	Y	Y	Y	None
Date - if applicable	23/08/2011	23/08/2011	9/06/2012	2011/2012	2011/2012	2011/2012	2011/2012	2011/2012	-	-	9/6/11	website	9/6/11	None

Anti-corruption

Table 28: Progress on the implementation of anti-corruption strategies by municipalities

Municipality	2009/10			2010/11			2011/12		
	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented	Anti-corruption Plan compiled	Has Council adopted the Anti-corruption Plan	Anti-corruption Plan implemented
Y/N:	N	N	N	N	N	N	Y	Y	Y
Date:							24/03/11	24/03/11	24/03/11

Table 29: Mayoral Izimbizo (include any Presidential, Premier or Ministerial Izimbizo held in the municipal area over the past 3 years)

Municipality	2009/10			2010/11			2011/12		
	No of Izimbizo's	Challenges	Resolutions	No of Izimbizo's	Challenges	Resolutions	No of Izimbizo's	Challenges	Resolutions
Number:	1	Service Delivery Challenges	To address the Service Delivery Challenges	1	Service Delivery Challenges	To address the Service Delivery Challenges	1	Service Delivery Challenges	To address the Service Delivery Challenges

Challenges and concerns raised at Izimbizo meetings:

- Concerns raised by the community during the Izimbizo were related to service delivery challenges

Resolutions taken:

- The municipality made a commitment of addressing the service delivery challenges raised by the community which are related to the municipal powers and functions, and also co-ordinating with other government departments to also address the service delivery challenges linked to their powers and functions.

5.1 EVENTS HOSTED BY THE MUNICIPALITY

During the year under review, the municipality participated and successfully hosted some of the following events:

Name of Event	Date of the Event	Venue of the Event	Achievements of the event
Mayoral Imbizo	April 2012	Msinga Municipality	Delivered the 2010/11 Annual Report to the community which indicated the performance of the municipality for the financial year.
District Cultural Event	29 December 2011 06 April 2012	Enyokeni Royal Palace (Kwa - Nongoma)	All maidens transported to the Reed Dance Ceremony managed to obtain confirmation certificates.
Rural Horse Riding	July 2011	Dundee Racecourse	Development of arts and culture
World Aids Day	December 2011	Nquthu / Msinga Municipalities	HIV/AIDS awareness campaign with different messages was presented Food parcels were handed over to HIV/AIDS orphans. People were also encouraged to be involved in voluntarily testing on site, a range of services were provided by Department of health.
Kwanaloga Games	December 2011	Ethekwini Municipality	<ul style="list-style-type: none"> • Eleven sports codes participated • Rugby (males) : Gold

			<ul style="list-style-type: none"> • Football (males) : Silva • Tennis : Bronze
--	--	--	---

5.2 CHALLENGES

- Review and effective implementation of the community strategy and policy;
- Effective communication of the municipal programmes and projects;
- Effective alignment of programmes and projects with other sector departments; and
- Effective implementation of the municipal policies.

5.3 MEASURES TAKEN TO IMPROVE PERFORMANCE

- Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects;
- Review of the Communication Strategy;
- Establishment of the IDP / LED Technical Working Committee for the alignment of programmes and projects;
- Preparation of the quarterly Newsletter; and
- Annual review of the municipal policies.

5.4 RECOMMENDATIONS

- Continuous implementation of the Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects;
- Review and effective implementation of the Communication Strategy;
- Continuous implementation of the IDP / LED Technical Working Committee for the alignment of programmes and projects;
- Annual review of the municipal policies.

6. Cross Cutting Interventions

Disaster management

- Progress in the implementation of Disaster Management Act;
- Challenges experienced in the implementation of the disaster management;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Realigned municipalities

- Municipalities affected in realignment per province;
- Progress of the re-alignment;
- Challenges experienced in the implementation of the re-alignment process;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Urban and Rural nodes

- Challenges experienced in the urban and rural nodes;
- Progress in the implementation of urban and rural nodes;
- Challenges experienced in the implementation of the urban and rural node;
- Support by Provincial Departments of Local Government and the COGTA; and
- Impact of support by stakeholders.

Table 30: Development, submission and implementation rate of SDF's

Municipality	2009/10			2010/11			2011/12			Reasons
	SDFs approved	SDFs submitted	SDFs Implemented	SDFs approved	SDFs submitted	SDFs Implemented	SDFs approved	SDFs submitted	SDFs Implemented	
Umzinyathi	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	
Endumeni	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Ye	
Nquthu	No	NO	No	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Ye	Unavailability of funding
Msinga	No	NO	No	No	NO	No	No	YES	Not as yet	Unavailability of funding
Umvoti	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	Yes	Yes as part of the IDP	Yes	

6.1 SDFs: CHALLENGES

- **Financial:**

Challenges identified within parameters of the SDF vary from each municipality to the next within the district. Due to the shortage of funds, spatial development frameworks, are not usually reviewed timeously. It is for this reason that funding for this is always sourced externally. For instance, Msinga Municipality has been without an appropriate SDF which serves as a spatial implementation tool of the IDP. However, through intervention by the Department of Rural Development and Land Reform, Vuka Africa was appointed to undertake the exercise on behalf of the municipality. uMvoti municipality utilised their old SDF in the new IDP, however, interventions have been put in place to address this disjuncture. Nquthu's SDF on the other hand require slight amendments so that it incorporates the revised ward boundaries as determined by the Municipal Demarcation Board. Meanwhile, the challenges identified within SDF's are not major, hence they have been mitigated through various efforts.

- **Inavailability of reliable data:**

Although amendments to the Nquthu SDF could have been undertaken inhouse, The Development Planning Shared Services (DPSS) was unable to achieve this at the time of submission of the IDP, mainly due to the fact that reliable STAT SA report was still unavailable. Credibility of localised data for which quality has not been tested would have posed challenges, particularly at the provincial level when SDF's are assessed.

6.2 SDFs: INTERVENTIONS

The Department of Rural Development and Land Reform has funded the compilation of Msinga Municipal SDF with ancillary Precinct Plan for Keate's Drift area. The project is due to be completed in due course. Supply Chain Regulations renders a tender invalid when services commence beyond 90 days after advertising, therefore uMvoti Municipality has not been able to appoint a Consultant. The notice calling out for a tender is closing during the first week of November 2012 after which an appointment will be finalised. Budget for this exercise has been made available during 2012/13 financial year. Soon after the release of the STAT SA information, an exercise of effecting factual spatial and non-spatial information on the affected ward boundaries of Nquthu Municipality's SDF will be undertaken. It will be a duplication of efforts and waste of resources to undertake the same exercise as that of STAT SA, which in turn may also be labelled as not credible.

6.3 SDFs: RECOMMENDATIONS

All necessary mitigation strategies to minimise the risks where the MEC described the municipalities as non-compliant are underway. At this juncture, monitoring of the SDF project by various municipalities is important. These SDF's are being undertaken within the parameters of the District SDF which was approved earlier this year.

Table 31: State of readiness on National Disaster implementation per Municipality (Y/N and Date)

2009/10				2010/11				2011/12			
Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place	Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place	Functional disaster management centre	Disaster Management Head/ Manager appointed	Disaster management forums established	disaster management plan or framework in place
Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
July 2009	July 2009	July 2009	July 2010	July 2010	July 2010	July 2010	July 2011	July 2011	July 2011	July 2011	July 2011

6.4 DISASTER MANAGEMENT CHALLENGES

- Lack of Disaster Management Plans in Msinga and Nquthu Municipalities;
- Lack of Disaster Management personnel in the local municipalities to co-ordinate and manage disaster management matters; which leads to poor attendance of the forum and committee meetings;
- General lack of understanding by councilors and the community on disaster management legislation and the policy framework, which creates confusion between councilors and officials when dealing with disastrous events.

6.5 DISASTER MANAGEMENT INTERVENTIONS

- The Umzinyathi district municipality recruited and trained forty (40) disaster management volunteers in March 2011. These volunteers are based at the local municipalities and work together with the disaster management officials of the local municipalities;
- Umzinyathi District municipality established the Disaster Management Advisory Forum and it involves the local municipalities and other stakeholders involved in disaster management in the area, and meets on quarterly basis;
- Umzinyathi District municipality established a coordinating committee with the intention of coordinating and monitoring the fire services throughout the district, and the committee meets on quarterly basis;
- Technical support has been provided by the district with the development of Nquthu Disaster Management Plan;
- The Department of Rural Development and Land Reform has appointed a Service Provider to assist with the development of Msinga Municipality Disaster Management Plan
- Good working relationship with the Provincial Disaster Management Centre and also provides support in carrying out assessments of disastrous events.

6.6 DISASTER MANAGEMENT RECOMMENDATIONS

- Review of Umzinyathi District Municipality Disaster Management Plan;
- Effective implementation of the Disaster Management Plans;
- Continuous undertaking of the awareness campaigns for disaster management; and
- Installation of the lightning conductors to mitigate striking of lightning.

Chapter 3: Human Resource and Organizational Management

3.1 STAFF COMPLEMENT

The municipality approved the 2011/12 organizational structure which is aligned to the IDP in order to improve its operational capacity. The revised structure contributed positively to the organization in terms of service delivery. During the year under review, the municipality had a staff complement of 99 employees as opposed to 86 employees during 2010/11 financial year, which indicates that the municipality is strengthening its capacity in order to fulfil its developmental mandate. The approved structure of the municipality had 123 posts of which 24 were currently vacant but will be filled as and when a need arises. However, the organizational structure of the municipality is currently being reviewed to enable the municipality to effectively deliver on its developmental mandate.

3.2 OCCUPATION AND GENDER EQUITY ANALYSIS

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

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

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	4				1				5
Middle Management	15				5			1	21
Semi skilled	11			1	27			1	40
Elementary Occupation	25				8				33
Grand Total	55			1	41			2	99

The breakdown in terms of salaries paid to staff members during the year under review is as follows:

2011/12 Operating Budget	Budget for Salaries	Amount spent on staff salaries	% salaries of operating budget
173,248,506.00	34,899,967.00	35,149,024.00	20

3.3 EMPLOYMENT EQUITY PLAN

In accordance with the Employment Equity Act (No 55 of 1998), the municipality reviewed and implemented the 2011/12 Employment Equity Plan as required by the Employment Equity Act. The plan seeks to address the numerical goals in the terms of demographics within the municipality. The municipality managed to achieve its numerical goals of employing one female in top management, two females in middle management positions and also one disabled person in elementary occupation level. In total, the municipality appointed 31 new employees during the year under review. The municipality has set new numerical goals to be achieved during 2012/13 financial year in order to strengthen its capacity.

3.4 WORKPLACE SKILLS PLAN

In accordance with the Skills Development Act and skills Levy Act, municipalities have to prepare and review the Workplace Skills Development Plan. During 2011/12, the municipality reviewed and implemented the Workplace Skills Development Plan as required by the said Act. The plan seeks to address employee's skills development, scarce skills and also skills audit of the municipality.

The municipality is registered with the Local Government Sector Education and Training Authority (LGSETA), and skills development relating to all levels of employees functions have been undertaken and integrated into the plan. During the year under review, 97 employees were trained on various skills development as part of the Workplace Skills Plan. Skills audit has been undertaken to determine the employees training needs for 2012/13 financial year, and these training needs have form part of the Workplace Skills Plan. The municipality is committed in training and developing its employees thereby improving productivity levels. To this end, an amount of R 800,000.00 00 was spent on both academic and functional development of staff and councilors.

3.5 INTERGOVERNMENTAL RELATIONS STRUCTURES

The Intergovernmental Relations Framework Act No 13 of 2005 stipulates that there must be a district Intergovernmental forum to promote and facilitate intergovernmental relations between the district and local municipalities within the district. Umzinyathi District Municipality has the following Intergovernmental Relations structures in place:

Intergovernmental Relations Forum	Objective of the Function	Functionality
Umzinyathi District Coordinating Forum	The objective of the forum is to promote and facilitate intergovernmental relations and cooperative government between the district and local municipalities, the forum meets on quarterly basis and is functioning properly. The new protocol agreement was signed on the 17 November 2011.	Yes
Municipal Managers Forum	The Municipal Managers Forum serves as a technical support to the District Coordinating Forum and implements their resolutions. The members of the technical support structure are the Municipal Managers of the district family of municipalities, or officials designated by them, and it also meets on quarterly basis and is functioning properly.	Yes
Speakers Forum	The forum has been recently established and the Terms of Reference for the forum will be discussed at its first meeting to be held in March 2012	Recently established
General and Social Service Forum	The forum deals with matters relating to the Special groups which is youth, women, people living with disability, gender, children and elderly, and it also consist of government departments whose line function deals with the special groups.	
Provincial IGR COGTA meeting	Its a provincial structure which is being attended by the municipalities, its purpose is to track progress regarding the functioning of IGR	
Corporate Services Forum	The purpose of the forum is to share information on Administrative, Human Resource and Information Technology issues matters, and also to provide advice to the Municipal Managers Forum such matters.	yes
IDP Representative Forum	The purpose of the forum is to serve as a platform where the district family of municipalities meet with the sector departments, private organisations, business, NGO's and CBO's to discuss developmental issues that affect the	Yes

	district family.	
Planning and Development Forum	The purpose of the forum is to co-ordinate planning and development within Umzinyathi District by ensuring improved and continued communication amongst the various planning sectors, and also to ensure that planning and development within the District is undertaken in a holistic way and that it takes place within the framework of all Municipalities' Integrated Development Plans.	Yes
Disaster Advisory Forum	The purpose of the forum is to implement, monitor and co-ordinate all disaster management related issues within Umzinyathi District by ensuring improved and continued communication. The forum consists of representatives from the district and local municipalities, SAPS, Traffic, emergency services etc.	Yes
District Communicators Forum	The functions of the forum include but are not limited to the following: <ul style="list-style-type: none"> • To coordinate the sharing of information pertaining to all spheres of government; • To coordinate and organise a calendar of events for the district to ensure that these activities are streamlined across the district to avoid duplication and waste of resources; and • To provide support to local municipalities with regard to development of communication strategies. 	Yes
Planning Cross border alignment Forum	This forum ensures alignment and integration of functional areas on the IDP and Spatial development framework. It also assists the municipalities to align development issues in an efficient, effective and sustainable manner especially where there are shared and interdependent functional areas across the district.	Yes
Disaster Cross border alignment Forum	This forum ensures alignment and integration of functional areas on the Disaster Management.	Yes
Chief Financial Officer Forum	The purpose of the forum is to share information on financial management and also to provide advice to the Municipal Managers Forum on financial matters.	Yes
Infrastructure Forum	The purpose of the forum is to ensure integration and alignment of Infrastructure projects being implemented within the district.	Yes
IDP Technical Committee	The purpose of the forum is to: <ul style="list-style-type: none"> • Streamlining planning process; 	Yes

	<ul style="list-style-type: none"> • Finding a common district wide development vision; • Consolidation and alignment of programmes and budgets; • Unifying the channelling of both private and public sector investments; • Combating socio-economic ills in a strategic and coordinated manner; and • Put forward a plan of action that will enjoy political buy-in at levels. 	
Tourism Forum	Tourism is one the key economic sectors within the district. Therefore, the purpose of the forum is to coordinate and implement economic Tourism programmes and projects within the district.	Yes
Agricultural Forum	Agriculture is one the key economic sectors within the district. Therefore, the purpose of the forum is to coordinate and implement agricultural programmes and projects within the district.	Not fully effective

3.6 GOVERNANCE STRUCTURES

3.6.1 AUDIT COMMITTEE

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

3.6.2 INTERNAL AUDITORS

In order for the Audit Committee to meet its objectives, the municipality also contracted Gobodo Inc. as its Internal Auditors to assist in attending to internal audit matters prior to submission to the Audit committee. The Internal Auditor has also been appointed as a move to get the internal audit function done in-house.

3.6.3 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

During the year under review, the municipality had a functional Municipal Public Accounts Committee which was in charge with the responsibility to:

- Assist Council to hold the executive and administration to account;

- Councillors are therefore responsible for exercising oversight over both the executive and administration;
- Proper administration of oversight requires Councillors to be fully informed of their own agenda, business or affairs; and
- Councillors are accountable for the performance of the council, hence they must supervise the Municipal Council agenda, in order to achieve the desirable performance.

Chapter 4: Consolidated Audited Financial Statements and Related Financial Information

4.1 CONSOLIDATED AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL INFORMATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	
TABLE OF CONTENTS	
1	General information
2	Report of the Auditor-General
4	Statement of the Municipal Managers Responsibility
5	Accounting policies
6	Statement of Financial Position
7	Statement of Financial Performance
8	Statement of Changes in Net Assets
8	Cash flow statement
9	Notes to the annual financial statements

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality not be appropriate in all instances.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. "I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 38, 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 8 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."

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 3.

"I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 36, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared on the going concern basis and were approved by the Accounting officer.

Mr WJM Mngomezulu
Municipal Manager
Date : 30 August 2012

ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2012			
GENERAL INFORMATION			
Speaker	Clr. B.S. Chambule		
His Worship The Mayor	Clr. J.M. Mthethwa		
Deputy Mayor	Clr. F.S. Mkhize		
Exco Members	Clr. L.D. Ngubane Clr. M.I. Sithole Clr. M.S. Yengwa		
Council Members	Clr. N.C. Khanyile Clr. I. Bedassi Clr. N.P. Zulu Clr. X.S. Xaba Clr. P.M. Ngobese Clr. T. Mahaye Clr. J. Mfeka Clr P.G. Mavundla Clr. A.M. Shaik Clr. V.B. Ntombela Clr. I.T. Nhlebela Clr. F.J. Skhakhane Clr. B.P. Ngcobo Clr. E.N. Molefe Clr. M. Mnguni Clr.M. Mkhwanazi Clr. B.N. Zondi Clr. L.G. Mabaso Clr. R.N. Ngubane		
Grading of Municipality			
Grade 4 (in terms of Government Notice R1224 dated 1 December 2006)			

Auditors			
The Auditor-General			
Private Bag X9034			
PIETERMARITZBURG			
3200			
GENERAL INFORMATION (continued)			
Bankers			
ABSA Bank Limited, Current Account, Dundee (Operating account)			
Registered office			
Princess Magogo Building		P O Box 1965	
39 Victoria Street		DUNDEE	
DUNDEE		3000	
3000			
Tel: (034) 219 1500			
Fax: (034) 218 1940			
E-mail: registry@umzinyathi.gov.za			
Municipal Manager			
WJM Mngomezulu			
Chief Financial Officer			
Bongani B. Mdletshe			
N. Dipl Acc, CIBM (SA), MBA, SAIPA & IMFO			

ACCOUNTING POLICIES
30 JUNE 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

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

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

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

ACCOUNTING POLICIES
for the year ended 31 July 2012

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.4 EFFECTIVE

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

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

PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

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

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

UMZINYATHI DISTRICT MUNICIPALITY
ACCOUNTING POLICIES
for the year ended 31 JULY 2012

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

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

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

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

2.5 DERECOGNITION

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

3 INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Investment property that qualifies for recognition as an asset is initially recognised at cost.

SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to the initial recognition of the investment property, investment property is measured using the cost model.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

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

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

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

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

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3.4 DERECOGNITION

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

4 FINANCIAL INSTRUMENTS

4.1. INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2. SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

4.3. INVESTMENTS

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

4.4. UTHUKELA WATER INVESTMENT

Investment at Uthukela Water Pty Ltd has been calculated on equity method using the annual financial statements of Uthukela Water based on shareholding percentage.

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4.5. TRADE AND OTHER RECEIVABLES

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

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

4.6. FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

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

4.7. CASH AND CASH EQUIVALENTS

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

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

4.9. INVESTMENT IN JOINT VENTURE

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

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

5 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance and in line with Section 176 (2) of the Municipal Finance Management Act (Act No.56 of 2003) where applicable.

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6 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 and in line with Section 176 (2) of the Municipal Finance Management Act (Act No.56 of 2003) where applicable.

7 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance and in line with Section 176 (2) of the Municipal Finance Management Act (Act No.56 of 2003) where applicable.

8 PROVISIONS

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

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

9 TRANSLATION OF FOREIGN CURRENCY

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

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10 COMPARATIVE INFORMATION

Current Year Comparatives

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

Prior Year Comparatives

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

11 LONG SERVICE AWARD

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

12 REVENUE

12.1. GRANTS, TRANSFERS AND DONATIONS

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

13 BORROWING COSTS

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

14 RETIREMENT BENEFITS

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

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

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15 OTHER POST RETIREMENT BENEFITS

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

16 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

UMZINYATHI DISTRICT MUNICIPALITY
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for the year ended 31 July 2012

17	RESERVES				
17.1.	Capital Replacement Reserve (CRR)				
	In order to Finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from accumulated surplus to the CRR. A corresponding amount is transferred to a disagnated CRR bank account or investment account. The cash in the designated CRR bank account can only be utilised to finance items items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amount in the CRR are utilised.				
	The amount transferred to CRR is based on the municipality's needs to finance future capital projects included in the Intergrated Development Plan.				
	CRR is included in Accumulated Surplus in the Statement of Financial Position . In the Prior year it was separately disclosed.				
17.2.	Government Grant Reserve				
	When items of property, plant and equipment are financed from government grants, a transfer is be made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)				
	When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).				
17.3.	Capitalisation Reserve				
	On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).				
17.4.	Donations and Public Contributions Reserve				
	When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.				

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
NON- CURRENT ASSETS			
Property, Plant and Equipment	4	24 306 390	23 112 647
Investment property	4	864 155	903 555
Intangible asset	4	6 478	(0)
Investments	5	0	8 831 589
Uthukela Water Investment	2	1 030 786 020	969 544 697
		1 055 963 044	1 001 488 933
CURRENT ASSETS			
Debtors	6	18 155 746	165 707
Vat	6	4 971 134	6 065 538
Other Debtors	6	221 392	0
Call Investment Deposits	4	435 894	36 664 300
Bank Balance and Cash	16	9 092 043	11 441 361
		32 876 208	54 336 906
TOTAL ASSETS		1 088 839 252	1 055 825 839
EQUITY AND LIABILITIES			
EQUITY			
Accumulated Surplus/ (Deficit)	1	1 000 569 654	926 878 776
TOTAL EQUITY		1 000 569 654	926 878 776
NON CURRENT LIABILITIES			
Post Retirement Benefit	18	7 769 169	12 565 797
		7 769 169	12 565 797
CURRENT LIABILITIES			
Unspent Conditional Grant and Receipts	31	24 748 808	38 751 670
Creditors	7	55 751 621	77 629 596
Current Portion of Long-term Liabilities	3	0	0
		80 500 428	116 381 266
TOTAL LIABILITIES		88 269 597	128 947 063
TOTAL EQUITY AND LIABILITIES		1 088 839 252	1 055 825 839

STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE YEAR ENDED 30 JUNE 2012			
	Note	Actual 2012 R	Actual 2011 R
REVENUE			
Rental of Facilities and equipment		237 517	237 287
Interest Earned - External Investment	10	3 433 593	5 741 698
Interest Earned - Outstanding Debtors		0	0
Government and Provincial grants and subsidies	17	394 054 151	279 592 556
Other		640 665.73	403 506
Proceeds on Sale of Assets		0	0
Public Contribution and Donations		0	0
Gains on Disposal of Property, Plant and Equipment			
TOTAL REVENUE		398 365 926	285 975 046
EXPENDITURE			
Employee Related Costs	7	31 760 597	22 722 496
Remuneration of Councillors	7	3 247 060	2 085 872
Depreciation		3 832 508	3 660 773
Post Retirement benefit	18	0	3 703 476
General expenses	22	74 474 866	45 584 944
Agency fees	23	64 405 032	93 846 105
Repairs and maintenance		5 800 255	5 694 355
Interest Paid	10	795	0
Grant Expenditure	24	112 056 485	156 484 168
Loss on Disposal of Property,Plant and Equipment		194 361	
Total Expenditure		295 771 959	333 782 189
(DEFICIT)		102 593 967	(47 807 143)
Interest in Joint Venture		-21 646 829	-19 866 625
(DEFICIT) FOR THE YEAR		80 947 138	(67 673 768)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Pre-GRAP GAMAP Accum Funds	Pre-GRAP GAMAP Reserves	Pre-GRAP GAMAP External Loan Lease	Pre-GRAP GAMAP Internal Loan CDF	Pre-GRAP GAMAP Loans Redeemed Capital Receipt	Total Pre-GRAP GAMAP Reserve	Government Grant Reserve	Donation and Public Contribution Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Uthukela Water Joint Venture Investment	Total
	R	R	R	R	R		R	R	R	R	R	R
Balance at 1 July 2010							0	0	5 800 000	-658 777	877 687 396	882 828 619
Surplus/(deficit) for the year										-47 807 143	-19 866 625	-67 673 768
Appropriations for the year							0	0	-5 800 000	5 800 000		0
Funds Utilised During the Year							0	0		0		0
Uthukela Capitalisation										0	111 723 926	111 723 926
PPE purchased							0	0		0		0
Revaluation of Property									0	0		0
Insurance Claim Proceeded										-0		-0
Asset transferred to LMS							0	0				0
Asset Disposal												0
Offsetting of Depreciation												0
Balance as at 30 June 2010	0	0	0	0	0	0	0	0	0	-42 665 921	969 544 697	926 878 776
Correction of error (note 34)												0
Change in accounting policy (note 34)												0
Restated Balance	0	0	0	0	0	0	0	0	0	-42 665 921	969 544 697	926 878 776
Balance at 1 July 2011							0	0	0	-42 665 921	969 544 697	926 878 776
Surplus/(deficit) for the year										102 593 967	-21 646 829	80 947 138
Funds Utilised During the Year										0		0
Uthukela Capitalisation										0	0	0
PPE purchased												0
Revaluation of Property										0		0
Prior year adjustment										323 907		323 907
Prior year accruals										-12 362 807		-12 362 807
Adjustment to post retirement benefit										4 782 649		4 782 649
Balance as at 30 June 2012	0	0	0	0	0	0	0	0	0	52 671 787	947 897 868	1 000 569 654

CASH FLOW STATEMENT			
FOR THE PERIOD ENDING 30 JUNE 2012			
	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	12	84 321 057	(82 871 251)
Cash contributions from the Public and State		0	0
Cash Receipt From Rate Payers, Government and Other			
Cash Paid to Suppliers and Employees	13	(66 653 743)	26 105 882
Cash generated from /(Utilised in) Operations		17 667 314	(56 765 369)
Interest Received	10	3 433 593	5 741 698
Interest Paid	10	(795)	0
NET CASH FROM OPERATING ACTIVITIES		21 100 112	(51 023 671)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property,Plant and Equipment	5	(5 778 145)	(2 079 508)
Proceed on Disposal of Property, Plant and Equipment			
Increase in Uthukela Investment	2	(58 850 822)	19 866 626
Decrease in non Current Receivables	17	0	0
Increase in non-current investment	18	45 059 995	36 234 425
NET CASH FLOW FROM INVESTING ACTIVITIES		(19 568 972)	54 021 543
CASH FLOW FROM FINANCING ACTIVITIES			
New Loans Raised / (Repaid)			
Increase in Consumer Deposits			
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0
NET DECREASE IN CASH AND CASH CASH EQUIVALENTS	19	40 669 084	2 997 872
	19	2 349 318	(2 997 870)
Cash and Cash Equivalents at the Beginning of the Year		11 441 361	8 443 491
Cash and Cash Equivalents at the End of the Year		9 092 043	11 441 361

Note 34. Financial Performance	Original Budget	Budget adjustment (i.t.o. S28 & S31 of the MFMA)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Explanations
	R	R	R	R	R	%	%	
Property rates	-	-	-	-	-	-	-	
Service charges	-	-	-	-	-	-	-	
Interest earned	6 500 000	-	6 500 000	3 433 593	3 066 407	47%	47%	Money was recalled from investment to address backlogs.
Government grants and subsidies	339 083 000	-	339 083 000	394 054 151	-54 971 151	-16%	-16%	
Other Income	118 389	-	118 389	640 666	-522 277	-441%	-441%	Contributions from own funding included in actual
Rental of facilities/premises and equipment	439 230	-	439 230	237 517	201 713	46%	46%	
Contributions from operating surplus	14 000 000	-	14 000 000	-	14 000 000	100%	100%	Vat expenditure recognised as income as required by circular 58
Total Revenue	360 140 619	-	360 140 619	398 365 927	-38 225 308	-11%	-11%	
Employee related costs	38 611 006	-3 711 039	34 899 967	31 760 597	3 139 370	9%	8%	
Remuneration of councillors	2 353 308	939 241	3 292 548	3 247 060	45 488	1%	2%	
Post Retirement Benefit	4 158 570	-500 000	3 658 570	-	-	-	-	
Depreciation, impairment and amortisation expense	4 300 000	-	4 300 000	3 832 508	467 492	11%	11%	Asset acquisitions during the year.
Finance costs	11 000 000	-9 000 000	2 000 000	795	1 999 205	100%	18%	
Grants and subsidies expense	180 042 538	-469 249	194 502 330	135 056 485	59 445 845	31%	33%	
Agency fees	68 005 062	-3 467 852	64 537 210	64 405 032	132 178	0%	0%	
General expenses	51 670 135	1 279 859	52 949 994	51 669 228	1 280 766	2%	2%	
Repairs and maintenance	4 094 954	2 398 671	6 493 625	5 800 255	693 371	11%	17%	
Total Expenditure	360 140 619	-14 929 041	360 140 619	295 771 960	67 203 715	19%	19%	
Surplus/(deficit)	-	14 929 041	-0	102 593 967	-105 429 023	-29%	-29%	
Capital Expenditure & Funds Sources								
Capital Expenditure								
Capital Expenditure								
Transfers recognised: Capital								
Grants	180 042 538	-	180 042 538	217 944 697	-37 902 159	-12%	0%	
Grants	-	-	-	-	-	-	-	
Unzinyathi District Municipality	16 160 891	-	16 160 891	32 486 772	-16 325 881	-101%	0%	
Total Sources of capital fund	196 203 429	-	210 663 221	250 431 409	-39 768 188	-113%	0%	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2012

	2012 R	2011 R
1 Accumulated Surplus / (Deficit)		
Balance at the beginning of the year	926 878 777	882 828 619
Surplus/ (Deficit) for the year	80 947 138	-67 673 768
Increase in Uthukela Water Pty Ltd Investment - Capital Additions	0	111 723 926
Prioy year accruals	(12 362 807)	
Prior year adjustment	323 907	
Retirement benefits	4 782 649	
Accumulated surplus/(Deficit) of the year	1 000 569 663	926 878 777

Accumulated surplus has been restated to include the increase of Uthukela Water Investment as result of additions of Water Services assets funded by Municipal Infrastructure Grant.

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

2 INVESTMENT IN UTHUKELA WATER (PTY) LTD JOINT VENTURE

	Restated	Previously stated
	2011	2011
	Uthukela Water	
	AFS Reference	
Share capital	Note 5	33
Partners contributions- Projects	Note 6	340 331 043
Partners contributions- Projects MIG	Note 6	111 723 926
Partners contributions- Shortfall funding	Note 6	268 086 956
Accumulated surplus	Note 6	249 402 739
	969 544 697	857 820 771

Uthukela Water (Pty) Ltd Joint Venture Investments has been accounted for using equity method as prescribed in GRAP 8.

		Restated	Previously stated
		2012	2012
	Uthukela Water AFS Reference		
Share capital	Note 5	33	33
Partners contributions- Projects	Note 6	331 738 366	340 331 043
Partners contributions- Projects MIG	Note 6	194 612 078	111 723 926
Partners contributions- Shortfall funding	Note 6	360 830 820	268 086 956
Accumulated surplus	Note 6	143 604 724	249 402 739
		<u>1 030 786 020</u>	<u>969 544 697</u>

3 LONG-TERM LIABILITIES

	2012	2011
	R	R
DBSA Loan	0	0
	0	0
Less: Current portion of Long- Term Liabilities	<u>0</u>	<u>0</u>

ANNUITY AND OTHER LOANS

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

	2012 R	2011 R
4 FIXED ASSETS		
Fixed assets (cost)	37 282 727	37 282 728
Adjustments		
Impairments	-10 855	
Depreciation	(3 832 508)	-3 969 228
Depreciation on disposal	1 489 926	-
Disposal	(1 684 287)	
Acquisitions	3 864 953	
Work in progress	2 237 149	
	39 347 105	33 313 500
Less : Accumulated Depreciation	(14 170 082)	-10 200 853
	25 177 023	23 112 646

The opening balances have been reclassified to take into account the correct asset classifications in terms of GRAP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2012

5 INVESTMENTS

Unlisted :

Long term deposits

Call deposits

Total investments

Managements' valuation of unlisted investments.

Average gross rate of return on investments

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

	2012 R	2011 R
	0	8 831 589
	435 894	36 664 300
	435 894	45 495 889
	435 894	45 495 889
	36%	10%

Institution

First National Bank

Investec

ABSA

Nedbank

Rand Merchant Bank

Total

	R	R
	148 272	2 243 640
	44 098	15 164 783
	99 268	9 634 631
	122 702	9 621 246
	21 555	8 831 589
	435 894	45 495 889

6 DEBTORS

Debtors

Debtor - Interest Accrued
 District Games 2009
 General Suspense
 Debtors Control
 Sundry Debtors Deposits Cont
 LGSETA : Training Grant
 iNdlovu DM Distribution Debt
 CMIP-Makhabeleni Water Schem
 CMIP-Borehole Rehab Programm
 Isandlwana Water Scheme;
 CMIP-Sithembile Bulk Sewer
 CMIP - Nquthu Sewer Rehabili
 CMIP-Sibongile/Dundee Phase2
 CMIP-Sibongile/Dundee Phase3
 Deposits
 MIG Debtor
 Inter-authority debtors

R

R

18 155 746

165 707

131 934	165 707
488 379	-
0	-
0	-
40 000	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
0	-
17 495 434	-
0	-

Other Debtors

Debtor-Grader
 MS Yengwa Credit Card Suspen
 Pensioners Medical Aid Contr
 Salaries Suspense
 Salary Advances Suspense

221 392

0

221 392	-
0	-
0	-
0	-
0	-

Short-term portion of long-term debtors

0

-

Receiver of Revenue - Value Added Tax

Vat Input Control
Vat Input Control:Public Works
Vat Output Control
Vat Outp Control:CMIP Projec
Vat Control

	4 971 134	6 065 538
	116 914 614	113 733 930
	0	-
	(453 131)	-398 823
	0	-
	(111 490 349)	-107 269 569

7 CREDITORS

Trade Creditors and accruals
Deposit Clearing Account
Creditor - Endumeni
Inter-DC Direct Deposits Sus
Insurances Suspense
Retentions Held Suspense
Unknown Deposit Suspense
Creditors Control
Leave pay
Accruals Suspense Account
Unclaimed Wages
Prepaid Income
Municipal funded projects
Cash Suspense Account
Creditor - uThukela water

	55 751 621	77 629 596
	0	-
	0	11 769 408
	0	-
	0	-
	12 148 406	13 563 282
	0	-
	1 140 985	
	2 505 577	1 578 438
	34 179 173	12 402 204
	0	-
	0	-
	4 732 863	
	0	-
	1 044 617	38 316 266

CONSUMER DEPOSITS

There were no guarantees in lieu of deposits.

	0	-
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8 REMUNERATION

COUNCILLORS' REMUNERATION

Mayor's allowance	545 517	287 322
Deputy Mayor's allowance	363 634	87 399
Speaker's allowance	287 345	249 745
Members' allowances	1 273 939	1 159 307
Executive committee allowances	516 120	142 921
Local Authority attendance fees	39 698	21 305
Medical aid contributions	45 070	15 452
Pension fund contributions and other allowances	175 738	122 421
	3 247 060	2 085 872

EMPLOYEE RELATED COSTS

Employee related costs : Salaries and Wages	23 288 953	11 972 704
Employee related costs : Contribution for UIF, Pension and Medical Aid	3 899 238	2 930 567
Travel, Motor Car, Accommodation, Subsistence and other allowances	1 491 160	1 276 505
Housing Benefit and Allowances	849 855	644 114
Overtime Payments	226 023	442 976
Bonuses	2 005 367	5 455 630
Less : Employee costs capitalised		
Less : Employee costs included in other expenses		
Total Employee Related Costs	31 760 597	22 722 496

There were no advances and loans issued to employees

Remuneration of the Municipal Manager

Total Package	1 309 657	1 102 405
Structured as follows : Annual Remuneration	1 070 894	885 695
Total	1 070 894	885 695

Remuneration of the Chief Financial Officer

Total Package	1 285 962	831 497
Structured as follows : Annual Remuneration	1 198 870	831 497
Total	1 198 870	831 497

EXECUTIVE MANAGERMENTS' REMUNERATION

30 June 2012

Total Package

Structured as follows : Annual Remuneration
Acting Allowance

Total

ExecutiveManager Manager Mayor's Office	ExecutiveManager Technical Services	Exec Manager Corporate Services	Exec Manager Planning and Social Dev
935 441	935 441	935 441	935 441
389 607	691 929	835 885	710 658
12 536	108 902		-
402 143	800 831	835 885	710 658

30 June 2011

Total Package

Structured as follows : Annual Remuneration

Performance Bonuses

Leave Pay

Acting Allowance

Car Allowance

UIF, Medical & Pension Fund

Total

ExecutiveManager Manager Mayor's Office	Exec Manager Technical Services	Exec Manager Corporate Services	Exec Manager Planning and Social Dev
	787 408	787 408	787 408
	631 777	562 903	631 777
	0	0	-
	34 703		
	0	0	-
	0	0	-
	666 480	562 903	631 777

MIDDLE MANAGERMENTS' REMUNERATION

Manager Communication Services

Manager Legal Services

Manager IDP/PMS

Manager GIS

Chief Planner Specialist

399 284	466 168
382 121	628 585
383 102	466 168
586 456	534 756
583 258	
1 351 679	1 629 509

Remuneration: Other Staff	29 038 840	19 600 507
Total: Salaries, Wages and Allowances	35 007 657	24 808 368

Managements' Remuneration as a percentage of total remuneration	7%	8%
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MANAGEMENTS' PERFORMANCE BONUSES

Municipal Manager	160 835	76 634
Dep Municipal Manager	0	-
Executive Manager: Corporate Services	171 391	-
Manager: Communications	50 000	50 000
Manager: IDP PMS	50 000	50 000
Executive Manager: Development Planning	114 879	56 513
Executive Manager: Technical Services	114 879	56 513
Manager Legal services	50 000	50 000
Total	711 984	339 660

9 AUDITORS' REMUNERATION

Audit fees	1 676 268	1 698 462
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10 FINANCE TRANSACTIONS

Total external interest earned or paid:

Interest earned	3 433 593	5 741 698
Interest paid	795	-
	<hr/>	<hr/>

Capital charges debited to operating account:

Interest :	795	-
Redemption :	0	-
	0	-
Prior year adjustment:		
	<hr/>	<hr/>
	795	-
	<hr/>	<hr/>

2012
R

2011
R

11 Appropriation account

Accumulated surplus / (deficit) at the beginning of the year	796 626 111	877 028 620
Operating surplus / (deficit) for the year	6 910 534	-80 402 509
Appropriations for the year	0	-
Prior year adjustments - Appropriation Movement	0	0
Government Grant Reserve Written Off	0	-
Donation and Public Contribution Written Off	0	-
Revaluation Reserve Written Off	0	-
Revaluation of PPE recognised	0	-
Correction of Depretiation for prior year	0	-
Write-back of prior year accruals		
Correcting of incorrect allocations		
Refund of levies iro prior year	0	-
Prior year revenue reversed/Written off		
Prior year expenditure		
VAT corrections		
Accumulated surplus at the end of the year	803 536 646	796 626 111

Operating account

Capital expenditure (PPE)	4 417 816	10 242 868
Contributions to provisions:	0	196 948
Maintenance provision	0	-
Leave pay	0	196 948
Contribution to Consolidated Capital Development Fund	0	-
Depreciation and renewals Fund	0	-
	4 417 816	10 439 816

The Prior year adjustments - other is made up of the following adjustments:

Prior year expenditure	0	-
System errors	0	-
Correction of expenditure allocations	0	-
Total	0	-

12 CASH GENERATED BY OPERATIONS

	2012 R	2011 R
Surplus / (deficit) for the year	80 947 138	-80 402 509
Adjustments in respect of:		
Previous years' operating transactions		-387 817
Appropriations charged against income:	5 121 070	3 660 773
	0	-
Leave Provision	1 277 707	-
Impairment	10 855	-
Depreciation	3 832 508	3 660 773
	0	-
Capital charges :	1 685 082	-
	0	-
Interest Paid	795	-
Disposal of assets	1 684 287	-
	0	-
Redemption of Loan	0	-
Investment income (operating account)	(3 433 593)	-5 741 698
Outstanding cheques	(3 740.8)	-
Non-operating expenditure :		
Capital Expenditure	0	-
Petty cash and cash float	5 100	-
	84 321 057	(82 871 251)

13 (INCREASE) / DECREASE IN WORKING CAPITAL

(Increase) / Decrease in inventory	0	0
(Increase) / Decrease in debtors	(17 117 026)	1 826 475
Increase / (Decrease) in creditors	(49 536 717)	24 279 407
(Increase) / Decrease in long-term debtors	0	0
Increase / (Decrease) in consumer deposits		0
Increase / (Decrease) in short-term portion of long-term liabilities	0	0
	(66 653 743)	26 105 882

14 INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)

Loans raised		
Loans redeemed	0	0
Post Retirement Benefit		-
	0	-

15 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS

	2012 R	2011 R
Investments made	0	-
Investments realised	45 059 995	36 234 425
	45 059 995	36 234 425

16 (INCREASE) / DECREASE IN CASH ON HAND AND AT BANK

Cash Book balance: beginning of the year	11 441 361	8 443 491
Less: Cash Book balance end of the year	9 092 043	11 441 361
Cash Floats;	0	-
Petty Cash;	4 000	4 000
Petty Cash;	0	-
Cash Floats;	100	100
General Bank Account FNB Account No. 62358106279	1 000	
General Bank Account ABSA Account No. 405 0280 759	9 086 943	11 437 261
	2 349 318	(2 997 870)
Bank Statement Balance at beginning of the year	11 437 261	8 439 391
Bank Statement Balance at end of the year	9 086 943	11 437 261

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	160 451 000	132 014 356
Finance Management Grant	0	1 000 000
DWAF Operating Subsidy	0	450 000
Casino Tax Levy		30 652
Grant expenditure	194 944 637	133 368 856
	355 395 637	266 863 864

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

18 RETIREMENT BENEFITS OBLIGATION

18.1. Defined benefit plan

Statement of Financial Position obligation for :

Post-employment medical benefits	7 769 169	12 565 797
Pension benefits	0	-
Balance at the end of year	7 769 169	12 565 797

Statement of Financial Performance obligation for :

Post-employment medical benefits	0	3 703 476
Pension Benefits :	0	-
Defined Benefit Funds	0	-
Defined Contribution funds	0	-
Total, included in employee benefits expense	0	3 703 476

17.1.1. Post-Retirement Medical Aid plan

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

Movement in the defined benefit obligation is as follows :

Balance at the beginning of the year	12 565 797	8 867 012
Current service cost	0	3 703 476
Interest costs	0	-
Actuarial (gains) losses	(4 788 904)	-
Benefit payments	(7 724)	-4 691
Balance at end of year	7 769 169	12 565 797

18 RETIREMENT BENEFITS OBLIGATION (continued)

Net Expense recognised in the Statement of Financial performance

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

Key assumptions used

The principal actuarial assumptions used will be as follows

Discount rates used	8.0%	8.8%
General increase in contributions	8.0%	15.0%
Salary Inflation	8.0%	8.0%
Expected retirement age(NRA)	63	63
Proportion continuing membership at retirement	100%	100%
Proportion of retiring members who are married	90%	90%

Other assumption :

Age of spouse	- Husbands 5 years older than wives
Mortality of in-service members	- In accordance with the SA 85 - 90 (Light) ultimate table (rated down 3 years for females).
Mortality of pensioners	- In accordance with the PA (90) ultimate male and female tables

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

Percentage of in-service members withdrawing before retirement :

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

18 RETIREMENT BENEFITS OBLIGATION (continued)

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

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

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

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

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

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

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

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

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

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

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

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

19 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:	0	-
Approved and contracted for	1 123 971 861	51 480 410
Approved but not yet contracted for		
	1 123 971 861	51 480 410

This expenditure will be financed from:	0	-
Internal sources	4 732 863	7 118 145
External sources	1 119 238 998	44 362 266
	1 123 971 861	51 480 410

20 MUNICIPAL ENTITIES

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

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

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

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

uThukela Water (Pty) Ltd	(78 793 657)	-101 493 329
Income generated by water sales	0	3 233 514
Sundry Income	0	-
Water Services Expenditure incl uThukela Water (Pty) Ltd	(78 793 657)	-104 726 843
uMzinyathi District Municipality	44 926 080	63 816 891
Funding from Equitable Shares	44 926 080	63 366 891
Operational Subsidy	0	450 000
Direct Expenditure	0	-
Provision for Bad Debt	0	-
Surplus / (Deficit) for the year	(33 867 577)	-37 676 439

21 MIG EXPENDITURE

	2012	2011
MIG EXPENDITURE		
BOREHOLES REHABILITATION		
Amangwe Buthanani - Isandlwana Phase 1&2		-
Endumeni / Nquthu bulk	1 507 376.67	2 837 830
Enhlalakahle Bulk Water Phase 2		-
ESHANE WATER SUPPLY	6 817 896.18	122 439
DWAF Project	-	-
Greytown Bulk Water	-	-
Greytown Jabula Road	-	-
Hlazakazi Water Scheme Phase 1 - Isandlwana	489 942.78	1 107 643
Hlimbithwathi Sanitation	5 363 792.30	1 069 953
Keates Drift Water Scheme	7 615 436.60	582 173
Ntinini Regional Water	1 685 246.42	3 933 050
KwaJama Household Sanitation		817 546
KWAKOPI MHLANGANA	24 999 561.63	2 476 757
Makhabeleni Phase 2 & 3	15 597 105.58	12 462 533
MAKHABENI SANITATION:IMPLEMENTATION	2 791 491.18	3 151 444
Mbono Water	10 768 449.28	16 996 276
Endumeni old CIMIP Projects		975 961
Douglas Water	9 633 522.14	146 181
Mthembu West - Tugela Ferry	953 308.93	738 011
Pomeroy Douglas Sanitation project	21 924 585.43	9 497 692
Muden Sanitation	10 819 562.38	6 646 922
Vantis Drift Water	604 320.78	259 282
Ndindindi Water Supply Scheme	-	-
NGUBUKAZI WATER SUPPLY	1 847 590.65	-
Nquthu Sewerage Treatment Plan	7 700 882.10	-
Ophathe - Water	829 586.82	4 242 208
Othame Sanitation	1 953 835.52	-
amangwe Buthanani - Isandlwana Phase 1&2	-	-
POMEROY SUB REGIONAL SCHEME	1 508 849.98	677 749
Qhudeni Water Scheme	-	-
RUGTEFONTEIN SETTLEMENT AREA	-	-
Sithembile Sewer Pump Station	7 396 278.68	7 418 166
Somashi Water Supply	-	-
Tugela Ferry Variation	-	-
Umzinyathi Rudimentary	1 806 894.40	5 050 248
Umsinga Bulk water	5 951 498.45	403 698
Muden Bulk water	20 835 712.06	2 650 248
Feasibility study	-	11 720 134
Dundee bulk	3 789 728.48	
Mthembu Water Extention	431 142.06	
Rehabilitation and installation of boreholes	3 813 836.11	10 773 901
Prior year adjument as per circular 58	12 698 519.00	
	192 135 952.59	106 758 043.53
External Funded - MIG Grant	192 135 953	106 758 044

22 GENERAL EXPENSES

CONSTRUCTION INCUBATOR	1 425 000	0
TRANSFORMATION	1 506 698	1 366 715
MUNICIPAL SUPPORT	290 372	195 700
MANAGEMENT AUDIT	1 117 940	663 435
IDP REVIEW : DISTRICT AND LMS	285 816	532 076
LG FINANCIAL MANAGEMENT	0	0
AUDIT FEES - EXTERNAL	1 101 102	1 167 637
AUDITI FEES - INTERNAL	575 166	530 825
ADVERTISMENT	185 864	138 713
MEMBERSHIP FEES	5 759	0
LICENCE FEES	142 846	112 986
FIRE SERVICES	2 445 635	2 512 591
SUBSCRIPTIONS	1 681	3 131
PROJECT LAUNCH	1 326 348	2 033 812
AUDIT COMMITTEE	109 184	82 398
JOB EVALUATION	0	0
CUSTOMER SATISFACTION SURVEY	28 000	406 850
ASSESSMENT OF UNAUTHORISED DEVELOPM	27 397	0
EMERGENCY SERVICE PROVISION	0	1 671
INDIGENT SUPPORT	264 809	27 046

GENERAL EXPENSES CONTINUED

POST RETIREMENT BENEFIT	0	
LEGAL COSTS	653 018	262 393
ENTERTAINMENT & REFRESHMENTS	167 973	167 766
BOOKS AND PUBLICATION	4 288	14 187
CATERING MEETINGS	239 032	212 655
COMPUTER PROGRAMMS	31 125	19 492
RENTAL OFFICE EQUIPMENT	0	0
FUEL AND OIL	1 078 000	505 663
CLEANING MATERIALS	49 831	24 593
RENTAL OFFICE MACHINES	714 655	599 344
CONSUMABLES	0	0
CHEMICALS	0	0
CLEANING SERVICES	51 549	73 636
CCC OPERATOR CO	8 748	0
PRINTING AND STATIONERY	227 748	168 587
RAILAGE & CARTAGE	0	0
POSTAGE	7 180	5 316
TELEPHONE	851 222	823 728
BANK CHARGES	52 316	40 486
SAMPLE OF FOOD & MILK	17 538	24 271
INVENTORY - LOG	5 261	358
SMALL TOOLS	0	0
ELECTRICITY	577 254	484 361
LOCAL COUNCIL S	496 072	461 776
INSURANCE	409 006	415 676
SECURITY	1 575 335	220 359
ISWIP	10 855	0
YOUTH AND GENDER	616 806	461 707
SEMI URBAN WATER SUPP PROG	0	0
PLAN-PEOPLE WIT	428 905	105 467
SAFTEY	738 693	(420 813)
PROFESSIONAL SERVICES	0	0
PLANNING	138 630	1 081
TRANSLATION / INTERPRETATION	128 950	0
MEETING : STATIONARY	95 904	0
MEETING : SUBS / TRAVEL	1 870 259	0
CONFERENCE AND SEMINAR	106 487	187 432
MEMBERSHIP FEES	234 668	198 175
SUBSISTENCE & TRAVELLING	2 838 881	2 875 274
OFFICE RELOCATION COSTS	0	0
PARKING EXPENSES	0	1 776
CORPORATE MATERIAL	183 096	71 915
PROMOTION	200	(1 577)
PROMOTION , BERG, BUSH & BATTLE	0	1 577
RECRUITMENT OF STAFF	105 941	104 533
OCCUPATIONAL HEATH AND SAFTEY	0	0
TRANSPORT OFFICIAL VEHICLE	181 902	347 252
RENTAL OFFICE	92 664	72 321
PUBLIC CONSULTATION	107 360	0
TRAINING DIRECT	763 375	694 655
SKILLS DEVELOPMENT LEVY	290 540	179 818
DEPARTMENTAL COSTS	0	0
WATER ANALYSIS	0	0
WATER PURCHASES	0	0
WATER RESEARCH	0	0
WATER RESOURCES	0	1 905 006
ECONOMIC REGENE	0	0
DAYS OF NATIONAL IMPORTANCE	0	0
PROMOTION OF DEMOCRAY	0	0
PROMOTION OF AGRICULTURE	0	0
DECADE OF DEMOCRACY CELEBRATION	0	0
ELDERLY AND WIDOW PROGRAMS	0	0
MAYORAL SPORTS TOURNAMENT	446 391	298 179
DROUGHT RELIEF	0	0
KWANALOGA GAMES	674 028	0

GENERAL EXPENSES CONTINUED

SPORT AND CULTURE	2 428 706	4 283 614
FAN PARKS	0	
DISTRICT CULTURAL EVENT	459 304	400 721
RURAL HORSE RIDGING	704 779	137 015
WARD SPORT DEVELOPMENT	240 343	100 571
DISASTER MANAGEMENT	582 406	519 025
PROMOTION OF TOURISM	192 869	1 210 038
SHOWS, EXHIBITS	36 421	82 896
LED PROJECT - CO FUNDING	0	2 000
SIGNAGE KZN TOURISM	20 914	0
MAYOR'S FORUM	0	0
DROUGHT RELIEF	16 433 129	7 702 928
MAYORAL PROJECTS	4 145 972	1 873 695
MAYORAL IMBIZO	952 829	1 001 337
MAYORS DISCRETIONERY FUND	0	0
DISASTER RELIEF	768 433	0
IDP SECTOR PLAN	385 758	0
JOB EVALUATION	0	0
MARKETING AND PROMOTIONS	1 647 319	1 814 177
DUNDEE TLC UNPRO	148 045	0
PUAPER BURIALS	259 684	109 518
HIV AIDS PROGRAMMES	854 349	438 899
ELDERLY AND WIDOW PROGRAMS	441 122	634 219
GIS TOOLS	435 530	0
EQUITABLE SHARE - CAPACITY BUILDING	0	0
EQUITABLE SHARE - CAPITAL	0	19 416
HUMAN RESOURCES	0	0
2010 PUBLIC VIEWING AREAS	0	3 316 074
OVERGROWN STANDS	7 343	0
LEAVE EXPENSES	1 277 707	468 304
GENERAL EXPENSES	60 534 266	45 584 994

23 AGENCY FEES

Uthukela Water Pty Ltd payment for
provision of water services

64 405 032

93 846 105

24 GRANT EXPENDITURE

MiG Grant	161 942 000	106 875 236
Umsinga Poultry Plan	0	104 666
uMvoti Sports Complex - DSRS	0	-
Solid Waste Management	0	300 000
Makhabeleni Sports Complex	0	-
Nondweni Sportfield Upgrade	0	-
Nquthu Sport Stadium	0	-
Umsinga Poultry Plan	0	-
Fan Parks	0	-
Grant Funding Intergovernmental	0	-
Solid Waste Management	0	-
Reserves: Transitional Grant	0	-
GRANT-EMANDLENI GRAZING CAMP	0	-
Shared Services	1 603 133	1 117 604
Reserves: General Grants ;Intergrated Transport Plan	0	-
Reserves: General Grants ;Finance Management Grant	1 250 000	1 000 000
Reserves: General Grants ;Gijima - Agriculture Development Strategy	0	31 180
Reserves: General Grants ;Gijima - Led Strategy	0	3 600
Grant: IDP and Capacity Building	0	-
Municipal support Grant	361 000	99 664
Reserves: LGTA Municipal (ICS) Grant;	0	42 380
NLDTF : Dundee Arts & Craft	15 886	252 155
Growth Development Summit	0	-
Reserves: GIS System Grant;	530 186	139 686
Reserves: Municipal Systems Improvement Grant	790 000	719 778
Halodi Gravel Access Road	0	-
Bhambatha Stadium;	0	-
Rural Settlement	335 776	64 969
LED Msinga Agriculture Packhouse Project	0	-
LED Msinga Stone Crushing Plan	0	63 000
LED Msinga Bee&Mushroom Farming	0	-

CONTRACTED FEES CONTINUED:

LED Nquthu Eqhude Agribusiness	0	29 193
Disaster Management Grant	151 820	-66 069
LED Corridor Development	0	900 000
Development Planning IDP Capacity Building	0	-590
Disaster Managemen Plan/Centre	0	93 011
DTLGA;WSDP 06/07	0	4 218
DTLGA;S78 06/07	44 619	16 023
DTLGA;TECH SUP 06/07	0	204 072
DTLGA;BACKLOG 06/07	0	80 326
DTLGA;ENERGY 06/07	0	24 561
DTLGA;CAPACITY BUILDING 06/0	0	-
DTLGA;CAPACITY IDP 2007	0	-
Greytown Bulk Water	10 238 269	9 652 820
Soya Bean Project	0	-
Contractor Incubator Project	0	1 842 356
Decommiss Nquthu Sewer	0	2 032 293
Msinga Asisukume Maize	(190 618)	-
CMIP Dundee Bulk Water	0	-
Massifikation of Bulk Water	12 950 522	3 329 072
Enseleni Community Hall1 Greytown	0	-
Enkamba Community Hall1 Msinga	0	-
Othame Sanitation	719 878	-
EPWP Incentives	0	-
Drought Relief	0	137 243
Msinga Maize Mill and Silos	0	-
Urban Settlement Dev Grant	0	-
Road Assessment Mngt Systems	0	-
KZN ACIP WWTW	3 330 069	-
KZN COGTA - Government Support	557 026	-
Msinga Community Hall	1 200 000	-
<u>MUNICIPAL FUNDED PROJECTS</u>		
Decommiss Nquthu Sewer	1 264 037	928 199
Halodi Gravel Access Road	1 040 342	-
Qhudeni Maxhili Sanitation	4 724 751	483 981
Othame Sanitation	816 776	3 218 149
Ndaya Regional Water	1 002 121	-317 206
Enseleni Community Hall1 Greytown	0	-
Enkamba Community Hall1 Msinga	0	-
Development of 2 landfill Sites	0	-
Enseleni Community Hall1 Greytown	282 764	95 857
Enkamba Community Hall1 Msinga	0	15 469
Development of 2 landfill Sites	300 000	-180 200
Pomeroy complex	1 564 491	1 090 756
Contributions to capital outlay		22 115 313
Infrastructural Projects	13 940 600	
TOTAL	236 515 150	156 484 169

25 IRREGULAR EXPENDITURE

Balance at the beginning of the year	264 060	505 423
Irregular expenditure recovered	0	241 363
Irregular expenditure written-off		
Irregular expenditure incurred	2 018 397	707 188
	2 282 457	971 248

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

A civil case and a criminal case was instituted against former employee.

A court order was granted on the 25th February 2010 for the attachment and removal of the assets of former employee by the sheriff. On the 23 August 2010 a summary judgment application was granted against former employee for the sale of the assets and the repossession of the pension fund monies due to former employee.

R241363 has been recovered from the sale of assets and pension pay-out.

During the financial year, the municipality incurred irregular expenditure amounting to R2018396.96 due to the municipality not following SCM processes for the appointment of Blackwatch Security Services.

26 DEVIATION OF SUPPLY CHAIN MANAGEMENT POLICY

-

27 OPERATING LEASE LIABILITY

Amounts payable under operating leases

Within one year	0	1 244 233
Within five years	1 624 733	1 244 233
Less: Amount due for settlement within 12 months (current portion)	(637 317)	-349 105
	987 416	895 128

The Municipality is leasing 10 copiers from Xerox and monthly rental expense has been accounted for in the statement of financial performance. The average lease term is 5 years and the average escalation rate is 10%. The escalation is fixed for the duration of the contract. No arrangements have been entered into for contingent net Obligation under operating lease are secured by the lessor's title to the leased asset.

28 CONTINGENT LAIBILITIES

Claim for damage - Endumeni Municipality

The municipality received correspondence dated 25 October 2010 copied to the Auditor-General, MEC for Local Government Provincial and National Treasury from Endumeni Municipality serving a notice in terms of section 41 (2) of the Intergovernmental relations framework Act 13 of 2005 relating to the failure of Umzinyathi to facilitate the transfer of assets and liabilities to the value of R 6 626 612 and final demand for payment of an outstanding amount of R17 068 623.59 for operational expenditure incurred by Endumeni Municipality on behalf of Umzinyathi DM for water services function. Endumeni Municipality intend to take legal actions should this matter remain unresolved.

Umzinyathi District Municipality has always been willing to resolve this matter but was waiting for the supporting documents from Endumeni Municipality for their claim which was submitted on the 22 October 2010. Umzinyathi District Municipality resolved to investigate and verify the claim by Endumeni Municipality and present final findings EXCO for approval.

R11 769 407.51 has been paid to Endumeni Municipality and R4 227 407.51 still in dispute.

The dispute has been resolved, however no written proof has been received from Endumeni Municipality.

Dispute with Uthukela Water

Uthukela Water had been invoicing the municipality non-cash amounts such as depreciation, provisions and debt impairment. The disputed amount is R24547175.69

29 Subsequent Event

Uncertainty With Regard Uthukela Water Pty Ltd

A Section 78 Assessment regarding the preferred mechanism for the provision of water services for Umzinyathi District Municipality and the future of Uthukela Water Pty Ltd conducted by the MEC for Co-operative Governance and Traditional Affairs has been completed with the preliminary findings which are still subject to discussion and final resolution by all the parties concerned. The preliminary findings indicate that the existing water services provider function currently being performed by Uthukela Water (Pty) Ltd will change in the future. The details of the changes, and the date of change, is uncertain at this point in time.

The Council of Umzinyathi resolved that:

1. The dissolution of Uthukela Water (PTY) LTD be approved
2. The withdrawal by Umzinyathi District Municipality's interest from Uthukela water with effect from 30 June 2012 be approved
3. The decentralisation of retail and bulk function to align with the jurisdiction of Umzinyathi District Municipality be approved
4. The negotiation for decentralisation of billing for water services (one customer one municipal account) to the local Municipality be approved and Municipal Manager be authorised to sign service level agreement with LM's
5. Where bulk water sources is outside boundaries of the municipality Umzinyathi District Municipality sign a bulk water service supply agreement with the supplying WSA vice-versa be approved.
6. The implementation plan for the takeover of water service function listed on listed 3.9 above be approved
7. The Technical task team proposed listed on 3.4 above be approved
8. The Provincial Strategy of establishing a Regional Bulk Utility that is being discussed with the Minister of Water and Environmental Affairs, National Treasury, DBSA and Uthukela Water (PTY) LTD be given an extract of this resolution will a implementation plan.
9. The MEC for Co-operative Governance and Traditional Affairs, Department of Water Affairs, National Treasury, DBSA and Uthukela Water (PTY) LTD be given an extract of this resolution will a implementation plan.
10. The appointment of the Technical Expert to assist the municipality with the implementation of section 78 be approved.

30 Fruitless and wasteful expenditure

During the financial year, the municipality incurred fruitless and wasteful expenditure to the amount of R27 397.26 for penalties for early withdrawals.

During the financial year, the municipality incurred fruitless and wasteful expenditure to the amount of R 403 033 for abuse of fuel cards..

31 CORRECTION OF ERROR

GOVERNMENT AND PROVINCIAL GRANTS AND SUBSIDIES	Restated	Previously Stated
	2011	2011
Government and Provincial grants and subsidies	266 863 863	266 863 863
Recognition of Vat for MIG for Prior Years	12 698 519	
Recognition of Vat for MSIG for Prior Years	30 222	
	<u>279 592 604</u>	<u>266 863 863</u>

Correction of prior year error - Vat expense for MIG not recognised on last year MIG expenditure now corrected

GOVERNMENT AND PROVINCIAL GRANTS AND SUBSIDIES	2012	2011
	Government and Provincial grants and subsidies	365 706 604
Correction of Prior year error on recognition of Vat for MIG	(12 698 519)	12 698 519
Correction of Prior year error on recognition of Vat for MSIG	(30 222)	30 222
Vat recognition	38 631 288	
	<u>391 609 151</u>	<u>279 592 604</u>

MUNICIPAL INFRASTRUCTURE GRANT - UNSPENT	Restated	Previously Stated
	2011	2011
MIG	12 698 519	12 698 519
Recognition of Vat for MIG for Prior Years	(12 698 519)	
	<u>(0)</u>	<u>12 698 519</u>

Correction of prior year error - Vat expense for MIG not recognised on last year MIG expenditure now corrected

MUNICIPAL SYSTEM IMPROVEMENT GRANT - UNSPENT	Restated	Previously Stated
	2011	2011
MSIG	30 222	30 222
Recognition of Vat for MSIG for Prior Years	(30 222)	
	<u>0</u>	<u>30 222</u>

Correction of prior year error - Vat expense for MSIG not recognised on last year MIG expenditure now corrected

MUNICIPAL INFRASTRUCTURE GRANT - UNSPENT	2012	2011
	MIG	0
Recognition of Vat for MIG for Prior Years	0	-12 698 519
	<u>0</u>	<u>(0)</u>

MUNICIPAL SYSTEM IMPROVEMENT GRANT - UNSPENT		
	MSIG	0
Recognition of Vat for MSIG for Prior Years	0	(30 222)
	<u>0</u>	<u>0</u>

UNSPENT CONDITIONAL GRANTS AND RECEIPTS	Restated	Previously Stated
	2011	2011
Unspent Conditional Grant and Receipts	51480510	51 480 510
Recognition of Vat for MIG for Prior Years	(12 698 618)	
Recognition of Vat for MSIG for Prior Years	(30 222)	

Correction of prior year error - Vat expense for MIG not recognised on last year MIG expenditure now corrected

UNSPENT CONDITIONAL GRANTS AND RECEIPTS	2012	2011
	Unspent Conditional Grant and Receipts	0
Recognition of Vat for MIG for Prior Years	0	-12 698 618
Recognition of Vat for MSIG for Prior Years		-30 222
	<u>0</u>	<u>38 751 670</u>

NOTE 32

	R				R		
Creditors: Unspent Conditional Grants and Re	38 751 669.93	197 869 919.74	207 139 918.69	-	207 139 918.69	29 481 670.98	29 481 670.98
	Opening Balance at 01/07/2011	Current year Receipts	Conditions met Transferred to Revenue	Committments	Total Committment Plus Conditions met	Conditions still to be met- Rema Liabilities	Conditions still to be met- Remain Liabilities
	R						
MiG Grant	-	161 942 000.00	161 942 000.00	-	161 942 000.00	-	-
DWAF: M&E Grant	600 000.00		-	-	-	600 000.00	600 000.00
DWAF: Water loss management	1 305 005.93		315 071.90	-	315 071.90	989 934.03	989 934.03
Shared Services	1 603 132.87		1 603 132.87	-	1 603 132.87	-	-
Grant: Intergrated Transport Plan	15 499.21		-	-	-	15 499.21	15 499.21
Reserves: General Grants ;Tr	-		-	-	-	-	-
Grant: Finance Management Grant	-	1 250 000.00	1 250 000.00	-	1 250 000.00	-	-
Grant: Tourism	37 755.92		-	-	-	37 755.92	37 755.92
Grant: Gijima - Led Strategy	11 569.71		-	-	-	11 569.71	11 569.71
Grant: Municipal Support	374 620.05		360 999.66	-	360 999.66	13 620.39	13 620.39
NLDTF : Dundee Arts & Craft	305 052.64		15 885.67	-	15 885.67	289 166.97	289 166.97
Grant: GIS System	1 000 176.36		530 185.58	-	530 185.58	469 990.78	469 990.78
Grant: Municipal Systems Improvement	-	790 000.00	790 000.00	-	790 000.00	-	-
Rural Settlement;	-	1 688 000.00	335 776.20	-	335 776.20	1 352 223.80	1 352 223.80
LED Msinga Agiculture Packhouse Project	135 298.00		-	-	-	135 298.00	135 298.00
LED Msinga Stone Crushing Pan	75 960.06		-	-	-	75 960.06	75 960.06
LED Msinga Bee&Mushroom Farming	20 048.00		-	-	-	20 048.00	20 048.00
Disaster Management Grant	159 729.42		151 820.02	-	151 820.02	7 909.40	7 909.40
DTLGA;S78 06/07	700 000.00		44 619.00	-	44 619.00	655 381.00	655 381.00
Greytown Bulk Water	14 646 261.67	1 357 600.00	10 238 269.10	-	10 238 269.10	5 765 592.57	5 765 592.57
Msinga Asisukume Maize Massification	1 199 758.84		-190 618.04	-	-190 618.04	1 390 376.88	1 390 376.88
Massifikation of Bulk Water	9 051 049.85	11 706 419.74	12 950 522.16	-	12 950 522.16	7 806 947.43	7 806 947.43
EPWP Incentives	392 606.57	197 000.00	719 878.00	-	719 878.00	-130 271.43	-130 271.43
Drought Relief No.3;	-		-	-	-	-	-
Road Assessment Mngt Systems		-	-	-	-	-	-
KZN ACIP WWTW		8 328 900.00	3 330 069.40	-	3 330 069.40	4 998 830.60	4 998 830.60
KZN COGTA - Government Support		800 000.00	557 025.70	-	557 025.70	242 974.30	242 974.30
Cogta-Municipal Infastructure		-	-	-	-	-	-
Water Distr Umvoti East/Matima		-	-	-	-	-	-
Rehabilitatiom Water Retic Net		-	-	-	-	-	-
GOVERNMENT GRANTS CREDITORS	31 633 525.10	188 059 919.74	194 944 637.22	-	194 944 637.22	24 748 807.62	24 748 807.62

MUNICIPAL FUNDED PROJECTS							
Msinga Community Hall		600 000.00	1 200 000.00	-	1 200 000.00	-600 000.00	-600 000.00
Decommiss Nquthu Sewer	1 571 801.34	-	1 264 036.94	-	1 264 036.94	307 764.40	307 764.40
Halodi gravel road	605 634.60	800 000.00	1 040 342.11	-	1 040 342.11	365 292.49	365 292.49
Qhudeni Maxhilini Sanitation	-	8 000 000.00	4 724 750.54	-	4 724 750.54	3 275 249.46	3 275 249.46
Othame Sanitation	912 493.12		816 775.76	-	816 775.76	95 717.36	95 717.36
Ndaya Regional Water	1 690 023.04		1 002 120.84	-	1 002 120.84	687 902.20	687 902.20
Nquthu Sports Stadium	-	410 000.00	282 764.12	-	282 764.12	127 235.88	127 235.88
Enkamba Community Hall1 Msinga	-		-	-	-	-	-
Development of 2 Landfill Sites	300 000.00		300 000.00	-	300 000.00	-	-
Pomeroy Complex Phasel	2 038 192.73		1 564 491.16	-	1 564 491.16	473 701.57	473 701.57
Dwaf Cholera Intervention	-		-	-	-	-	-
Infrastructural Projects	-	-	-	-	-	-	-
MUNICIPAL FUNDED PROJECTS	7 118 144.83	9 810 000.00	12 195 281.47	-	12 195 281.47	4 732 863.36	4 732 863.36
GRANTS CREDITORS AND MUNICIPAL FUNDI	38 751 669.93	197 869 919.74	207 139 918.69	-	207 139 918.69	29 481 670.98	29 481 670.98
Provisions							
Leave pay	1 578 437.75	-	-927 139.39	-			2 505 577.14
Provisions	1 578 437.75	-	-927 139.39	-	-	-	2 505 577.14

NOTE 32

	Opening Balance at 01/07/2010	Current year Receipts	Conditions met Transferred to Revenue	Operating Expenditure	Conditions still to be met - Remain Liabilities
	R	R	R		R
Government Grants Creditors					
MiG Grant	44 299 562	75 274 192	119 573 755		-
DWAF : M & E Grant	-	600 000	-		600 000
DWAF : Water Loss Management	-	1 305 006	-		1 305 006
Hermannsburg Mvofu Sportfield	-	-	-		-
Umsinga Poultry Plan	104 666	-	-		-
Grant Funding Intergovernmental	-	-	-		-
Solid Waste Management	300 000	-	300 000		-
Shared Services	2 501 737	219 000		1 117 604	1 603 133
Grants: Integrated Transport Plan	15 499				15 499
Grants: Finance Management Grant	-	1 000 000		1 000 000	-
Grants: Tourism	37 756				37 756
Grant Community Communication					
Grants: Gijima - Agriculture Dev Strategy	31 180	-	31 180		-
Grants: Gijima - Led Strategy	15 170		3 600		11 570
Grants: LGTA Assess of Water	-		-		-
LED;DISTRICT SIGNAGE PROJECT	99 664		99 664		-
Grant Municipal support	-	417 000	42 380		374 620
LED;KWAKOPI CURIOSHOP	0				-
Reserves: LGTA Municipal (ICS) Grant;	252 155		252 155		-
NLDIF : Dundee Arts & Craft	305 053	-	-		305 053
GIS System Grant;	1 139 862		139 686		1 000 176
Municipal Systems Improvement Grant	-	750 000	750 000		-
Endumeni Rural Horse Riding;	64 969		64 969		-
LED Msinga Agriculture Packhouse Project	135 298		-		135 298
LED Msinga Stone Crushing Plan	138 960		63 000		75 960
LED Msinga Bee&Mushroom Farming	20 048	-	-		20 048
LED Nquthu Ekhude Agribusiness	29 193	-	29 193		-
Disaster Management Grant	93 660		-66 069		159 729
LED Corridor Development	600 000	300 000	900 000		-
Development Planning IDP Capacity Building	-590		-590		-
Disaster Managemen Plan/Centre	93 011		93 011		-
DTLGA;WSDP 06/07					
DTLGA;S78 06/07	700 000		-		700 000
DTLGA;TECH SUP 06/07	204 072		204 072		-
DTLGA;BACKLOG 06/07	80 326		80 326		-
DTLGA;ENERGY 06/07	24 561		24 561		-
DTLGA;CAPACITY BUILDING 06/0	4 218		4 218		-
DTLGA;CAPACITY IDP 2007	16 023		16 023		-
Greytown Bulk Water	886 482	22 970 600	9 210 820		14 646 262
Contractor Incubator Project	1 842 356		1 842 356		-
Decommiss Nquthu Sewer	2 032 293		2 032 293		-
Msinga Agri-Business	1 199 759		-		1 199 759
Massifikation of Bulk Water	473 122	11 907 000	3 329 072		9 051 050
Othame Sanitation		-	-		-
EPWP Incentives	270 850	259 000	137 243		392 607
Drought Relief No.3;	-				
GOVERNMENT GRANTS CREDITORS	58 010 915	115 001 798	126 532 844	2 117 604	31 633 525

Municipal Funded Projects	Opening	Current year	Conditions met		Conditions still
	Balance at		Receipts	Transferred to	to be met - Remain
	01/07/2010		Revenue	Liabilities	
	R	R	R	R	
Decommiss Nquthu Sewer	2 500 000	-	928 199	1 571 801	
Halodi Gravel Access Road	605 635	-	-	605 635	
Qhudeni Machilini Sanitation	483 981	-	483 981	-	
Othame Sanitation	4 130 642	-	3 218 149	912 493	
Ndaya Regional Water	1 372 817	-	-317 206	1 690 023	
Enseleni Community Hall1 Greytown	95 857		95 857	-	
Enkamba Community Hall1 Msinga	15 469		15 469	-	
Development of 2 Landfill Sites	119 800		-180 200	300 000	
Pomeroy Complex Phasel	3 128 949	-	1 090 756	2 038 193	
Dwaf Cholera Intervention					
Government Grants Creditors	12 453 149	-	5 335 004	7 118 145	
GRANTS CREDITORS AND MUNICIPAL FUNDE	70 464 064	115 001 798	132 251 252	2 117 604	
Provisions					
Leave pay	1 307 082	-		1 110 134	
Provisions	952 323	435 397		80 638	

PROPERTY, PLANT AND EQUIPMENT
Note: 33 (continued)

2012 <i>Reconciliation of carrying value</i>	<i>Land and buildings</i>	<i>Investment property</i>	<i>Intangible</i>	<i>Plant & Equipment</i>	<i>Furniture & Office Equipment</i>	<i>Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	R		R	R	R	R	R	R
As at 1 July 2011	14 344 327	903 555	-0	2 824 621	2 605 217	-	2 434 925	23 112 645
Costs/Valuation	16 940 680	985 000	308 455	4 440 596	7 787 750	-	6 820 246	37 282 727
Change in accounting estimate	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-2 643 068	-81 445	-308 455	-1 833 586	-5 054 220	-	-4 385 321	-14 306 095
Classification - Cost	53 000	-	-	216 509	-269 509	-	-	-
Classification-Accumulated depreciation	-6 286	-	-	1 102	141 196	-	-	136 013
Acquisitions	1 196 082	-	8 539	54 550	702 809	-	1 902 974	3 864 953
Work In Progress	2 237 149	-	-	-	-	-	-	2 237 149
Disposals	-	-	-	-137 462	-1 139 305	-	-407 519	-1 684 287
Depreciation	-769 220	-39 400	-2 060	-746 515	-1 089 946	-	-1 185 368	-3 832 508
Depreciation-disposals	-	-	-	119 940	1 006 434	-	363 551	1 489 926
Impairment loss	-	-	-	-3 232	-7 623	-	-	-10 855
Reversal of impairment loss	-	-	-	-	-	-	-	-
As at 30 JUNE 2012	17 008 337	864 155	6 478	2 111 902	2 077 587	-	3 108 563	25 177 023
Costs/Valuation	20 426 910	985 000	316 994	4 574 192	7 081 745	-	8 315 701	41 700 542
Accumulated depreciation and impairment losses	-3 418 573	-120 845	-310 515	-2 462 290	-5 004 158	-	-5 207 138	-16 523 519

Refer to Appendix A for more detail on property, plant and equipment

Note : 33 PROPERTY, PLANT AND EQUIPMENT

2011 <i>Reconciliation of carrying value</i>	<i>Land and buildings</i>	<i>Intangible</i>	<i>Machinery & Equipment</i>	<i>Furniture & Office Equipment</i>	<i>Computer Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	R	R	R	R	R	R	R
As at 1 July 2010	15 959 499	308 455	2 683 006	4 554 906	-	3 576 009	27 081 875
Costs/Valuation	17 925 680	308 455	3 626 479	8 601 705	-	6 820 409	37 282 728
Change in accounting policy	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-1 966 181	-	-943 473	-4 046 799	-	-3 244 400	-10 200 853
Acquisitions	-	-	-	-	-	-	-
Depreciation	-758 331	-308 455	-754 100	-1 007 421	-	-1 140 921	-3 969 228
Impairment loss	-	-	-	-	-	-	-
Reversal of impairment loss	-	-	-	-	-	-	-
As at 30 June 2011	15 201 168	-0	1 906 635	3 569 917	-	2 434 925	23 112 645
Costs/Valuation	17 925 680	308 455	3 604 208	8 624 138	-	6 820 246	37 282 726
Accumulated depreciation and impairment losses	-2 724 512	-308 455	-1 697 573	-5 054 220	-	-4 385 321	-14 170 082

Refer to Appendix A for more detail on property, plant and equipment

2012	Cost/Revaluation						Accumulated Depreciation					Carrying Value Total
	Opening Balance	Previously written off assets	Additions	Work In Progress	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment	Closing Balance	
	R	R	R		R	R	R	R	R	R	R	
Land and buildings												
Land and buildings	16 993 680	-	1 196 082	2 237 149	-	20 426 910	-2 649 353	-769 220	-	-	-3 418 573	17 008 337
	16 993 680	-	1 196 082		-	20 426 910	-2 649 353	-769 220	-	-	-3 418 573	17 008 337
Investment property												
Investment property	985 000					985 000	-81 445	-39 400			-120 845	864 155
	985 000	-	-	-	-	985 000	-81 445	-39 400	-	-	-120 845	864 155
Intangible assets												
Intangible assets	308 455		8 539			316 994	-308 455	-2 060				6 478
	308 455	-	8 539	-	-	316 994	-308 455	-2 060	-	-	-	6 478
Other Assets												
Plant and Equipment	4 657 105		54 550		-137 462	4 574 192	-1 832 483	-746 515	119 940	-3 232	-2 462 290	2 111 902
Furniture and office equipment	7 518 241		702 809		-1 139 305	7 081 745	-4 913 024	-1 089 946	1 006 434	-7 623	-5 004 158	2 077 587
Motor Vehicles	6 820 246		1 902 974		-407 519	8 315 701	-4 385 321	-1 185 368	363 551		-5 207 138	3 108 563
	18 995 592	-	2 660 333	-	-1 684 287	19 971 638	-11 130 828	-3 021 828	1 489 926	-10 855	-12 673 586	7 298 053
Total	37 282 727	-	3 864 953	-	-1 684 287	41 700 542	-14 170 082	-3 832 508	1 489 926	-10 855	-16 213 004	25 177 023
Restated 2011	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Revaluation	Additions		Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Total
	R	R	R		R	R	R	R	R	R	R	R
Land and buildings												
Land and buildings	17 925 680	-	-		-	17 925 680	-1 966 181	-758 331	-	-	-2 724 512	15 201 168
	17 925 680	-	-		-	17 925 680	-1 966 181	-758 331	-	-	-2 724 512	15 201 168
Infrastructure												
Infrastructure	-	-	-		-	-	-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-
Intangible assets												
Intangible assets	308 455	-	-		-	308 455	-	-308 455	-	-	-308 455	-0
	308 455	-	-		-	308 455	-	-308 455	-	-	-308 455	-0
Other Assets												
Machinery and Equipment	3 604 208					3 604 208	-943 473	-754 100			-1 697 573	1 906 635
Furniture and office equipment	8 624 138					8 624 138	-4 046 799	-1 007 421			-5 054 220	3 569 917
Motor vehicles	6 820 246					6 820 246	-3 244 400	-1 140 921			-4 385 321	2 434 925
	19 048 591	-	-		-	19 048 591	-8 234 672	-2 902 442	-	-	-11 137 114	7 911 478
Total	37 282 726	-	-	-	-	37 282 726	-10 200 853	-3 969 228	-	-	-14 170 082	23 112 645

4.2 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF UMZINYATHI DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2012

Introduction

1. I have audited the financial statements of the Umzinyathi District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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 municipality'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 municipality'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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umzinyathi District Municipality as at 30 June 2012, and its

financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Irregular expenditure

8. As disclosed in note 25 to the financial statements, the municipality has incurred irregular expenditure of R2,018 million, as a consequence of not complying with its supply chain management policy.

Restatement of corresponding figures

9. As disclosed in notes 2 and 31 to the financial statements, the municipality has adjusted corresponding prior years' figures; as a result of errors discovered during the 2011-2012 financial year.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

11. The supplementary information set out on pages xx to xx do 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

15. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matters

16. Although no material findings concerning the usefulness and reliability of the performance information was identified in the annual performance report, I draw attention to the following matters below.

No documented standard procedures

17. The municipality did not have documented and approved internal operating procedure manuals to address collection, recording, processing, monitoring and reporting of performance information to enable consistent collection and reporting on its selected development objectives, as required by section 62(1)(b) and (c) of the MFMA.

No performance report for Uthukela Water

18. The district municipality did not submit a performance report for Uthukela Water, as required by section 72(1)(a)(iv) of the MFMA

Mid-year budget and performance assessment was not in the required format

19. The mid-year budget and performance assessment of the municipality was not in the format specified in schedule C of the Local Government budget regulations, as required by section 72(1)(a)(i) of the MFMA.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements with regards to the netting off of debtors against corresponding creditor balance and disclosure of assets relating to Uthukela Water (Pty) Ltd.

Audit committee

22. The audit committee did not substantially perform its functions, as required by section 166 of the MFMA.

Internal control

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matter reported below under the fundamentals of internal control is limited to the significant deficiencies that resulted in the findings on the performance report and compliance with laws and regulations included in this report.

Financial and performance management

24. Management did not implement effective controls over the preparation, review and reconciliation of financial records as well as the reporting of performance against predetermined objectives. This is evidenced by the material corrections in the financial statements and material findings on the usefulness of the annual performance report.

Governance

25. The audit committee did not adequately assess the effectiveness of controls and responses to risks, as evidenced by material corrections in the financial statements and the deficiencies identified on the usefulness of the annual performance report.

Pietermaritzburg

30 November 2012



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

4.3 MUNICIPAL ACTION PLAN TO ADDRESS THE AUDIT QUERIES

No.	Query	Action plan to address audit finding	Person responsible	Target date
AUDIT REPORT ISSUES				
1	Irregular expenditure incurred due to the municipality not follow SCM processes for the hire of security services	1. BlackWatch Security services contract to be terminated. 2. A tender for the hire of security services to be advertised and SCM processes to be followed OR The municipality to make use of trained bodyguards.	CFO,HOD's.	01-Jan-13
2	Restatement of corresponding figures and material misstatements due to errors identified.	1. Ongoing checks and reviews on financial information to be performed in order to eliminate errors and misstatements. 2. Caseware financial system is to be used for the preparation of financial systems.	CFO	Ongoing
3	The municipality did not have documented and approved internal operating procedure manuals to address collection, recording and reporting of performance information to enable consistent collection and reporting on its selected development objectives as required by section 62(1)(b) of the MFMA.	1. A detailed procedure manual for the collection, recording and reporting of performance information is to be developed, approved and implemented.	IDP Manager	Jan-13
4	The district municipality did not submit a performance report for uThukela Water as required by section 72 of the MFMA.	A performance report will be compiled for Uthukela Water	CFO,HOD's.	Annually
5	The mid year budget and performance assesment was not in the required format specified in schedule C of the Local Government Budget Regulations and section 72 of the MFMA.	1. The budget format to be reviewed by management to ensure that the format complies with regulations.	CFO,IDP manager	01-Jan-13
6	Audit committee did not substantially fulfill its responsibilities	All the requirements of the MFMA will be complied with and the effectiveness of internal audit is to be assessed.	CFO,MM	Immediately
MANAGEMENT REPORT ISSUES				
1	Capital expenditure recorded with no evidence of transfer.(uThukela Water assets)	A schedule of all completed and WIP projects is to be completed and sent to Uthukela Water with supporting documentation for capitalisation.	CFO	Monthly
2	Current assets offset against creditors.	Checks and reviews will be performed to ensure that assets are not offset against creditors.	CFO	Monthly when financial statements are prepared.

Chapter 5: Improvement Performance Measures

Table 32: Other Highlights of Municipal Performance by Key Performance Area

Municipality	Focus Area	<u>Highlights</u>
	KPA 1: Municipal Transformation and Organisational Development	<ul style="list-style-type: none"> • Effective implementation of policies to strengthen and also to effective operational arrangements for the municipality; • Provision of reasonable budget to enable effective implementation of the policies; • Functional IGR Structures; and • Sound and effective implementation of municipal systems.
	KPA 2: Basic Service Delivery	<ul style="list-style-type: none"> • Reduction of backlogs; • Introduction of an internal team to manage the planning and programme management of all projects; • Upfront planning through the appointment of service providers for the up and coming financial year for the preparation of tender processes; and • Lobbying of additional funding through financial institutions and other companies that have capacity to source funding in anticipation of

Municipality	Focus Area	Highlights
		accelerating the service delivery.
	KPA 3: Local Economic Development	<ul style="list-style-type: none"> • LED Technical support intervention provided by the Department of Economic Development and Tourism which entailed the deployment of a specialist to, amongst other things, augment capacity, help set up a function LED unit and facilitate skill development; • Setting up of the IDP/LED structure which constitutes of officials from various sector departments and National and Provincial government as well as municipal officials, to integrate and coordination the District's development endeavours; • Submission of an application to the Independent Development Corporation (IDC) for funding to set up an Economic Development Agency; and • Alignment of LED programmes to the EPWP principles to enable an increase in the share from the incentives grant.
	KPA 4: Municipal Financial Viability and Management	<ul style="list-style-type: none"> • Cash flow forecast prepared and cost cutting measures have been implemented; • Taking over of reticulation function from Uthukela Water; and

Municipality	Focus Area	Highlights
	KPA 5: Good Governance and Public Participation	<ul style="list-style-type: none"> • Credit control policies implemented. • Monthly Mayoral slots on Ukhozi FM to communicate municipal programmes and projects; • Review of the Communication Strategy; • Establishment of the IDP / LED Technical Working Committee for the alignment of programmes and projects; • Preparation of the quarterly Newsletter; and • Annual review of the municipal policies
	Cross Cutting Intervention	<ul style="list-style-type: none"> • The Department of Rural Development and Land Reform has funded the compilation of Msinga Municipal SDF with ancillary Precinct Plan for Keate's Drift area; • Preparation of Umvoti Municipal Spatial Development Framework; • Release of STATS SA updated data • Recruitment and training of forty (40) disaster management volunteers in March 2011. These volunteers are based at the local municipalities and work together with the disaster management officials of the local municipalities; • Establishment of Disaster Management Advisory Forum and it involves the local municipalities and other stakeholders involved in disaster management in the area,

Municipality	Focus Area	<u>Highlights</u>
		<p>and meets on quarterly basis;</p> <ul style="list-style-type: none"> • Establishment of a coordinating committee with the intention of coordinating and monitoring the fire services throughout the district, and the committee meets on quarterly basis; • Technical support provided by the district with the development of Nquthu Disaster Management Plan; • The Department of Rural Development and Land Reform has appointed a Service Provider to assist with the development of Msinga Municipality Disaster Management Plan; and • Good working relationship with the Provincial Disaster Management Centre and also provides support in carrying out assessments of disastrous events.

Table 33: Areas of under-performance per Key Performance Area

Municipality	Focus Area	<u>Under-performance</u>
	KPA 1: Municipal Transformation and Organisational Development	<ul style="list-style-type: none"> • Lack of affective policies to strengthen and also to effective operational arrangements for the municipality; • Lack of effective implementation of the Workplace Skills Plan due to financial constraints; and • Lack of effective policy implementation.
	KPA 2: Basic Service Delivery	<ul style="list-style-type: none"> • Huge infrastructure backlogs; • The district has settlement patterns

Municipality	Focus Area	Under-performance
		<p>that are sparsely populated and that leads to the increase of unit costs for the service delivery;</p> <ul style="list-style-type: none"> • The topography is rocky and there is a huge lack of infrastructure, and that also contribute to the costs thus making it expensive to provide services to the community; and • Scarcity of skills within the region thus forcing for the importing of the required skills at a high cost.
	KPA 3: Local Economic Development	<ul style="list-style-type: none"> • Capacity constraints within the LED unit have posed a challenge in the implementation of local economic development programmes; • Poor participation of social partners in LED support structures such as the IDP/LED forum and sector forums has hampered meaningful coordination and implementation of LED in the District; • Financial resources limitations have created a challenge and the lack of capacity to identify and leverage external funding has added to this challenge; and • The Expanded Public Works Programme has previously been regarded as an infrastructure

Municipality	Focus Area	Under-performance
		<p>development support programme and confined to the Technical Services Department. Consequently, other departments and sectors, including LED have not reported on EPWP and this has affected the municipality's allocation of the incentive grant.</p>
	<p>KPA 4: Municipal Financial Viability and Management</p>	<ul style="list-style-type: none"> • High service backlogs which require funding; • Council resolution to take over Uthukela Water from the 1 July 2012; and • High rate of grant dependency.
	<p>KPA 5: Good Governance and Public Participation</p>	<ul style="list-style-type: none"> • Review and effective implementation of the community strategy and policy; • Effective communication of the municipal programmes and projects; • Effective alignment of programmes and projects with other sector departments; and • Effective implementation of the municipal policies.
	<p>Cross Cutting Intervention</p>	<ul style="list-style-type: none"> • Due to the shortage of funds, spatial development frameworks, are not usually reviewed timeously. It is for this reason that funding for this is always sourced externally; • Late release of data by STATS SA;

Municipality	Focus Area	<u>Under-performance</u>
		<ul style="list-style-type: none"> • Lack of Disaster Management Plans in Msinga and Nquthu Municipalities; • Lack of Disaster Management personnel in the local municipalities to co-ordinate and manage disaster management matters; which leads to poor attendance of the forum and committee meetings; and • General lack of understanding by councilors and the community on disaster management legislation and the policy framework, which creates confusion between councilors and officials when dealing with disastrous events.

Chapter 6: Service Providers Performance

During 2011/12 financial year, Umzinyathi District Municipality had six (6) external service providers which were contracted to the municipality to provide a range of services. In terms of Section 46 (1) (a) of the Municipal Systems Act, 2000, the municipality has to provide performance details of the external service providers contracted during the year under review and the performance assessment of these service providers is as follows:

7.1 UThukela Water Services

Umzinyathi District Municipality is a Water Services Authority (WSA), and is under a legal obligation in terms of Section 12 of the Water Services Act of 1997. Umzinyathi District Municipality together with Amajuba District Municipality and Newcastle Local Municipality have a shared municipal entity known as Uthukela Water (Pty) LTD which is responsible to undertake the provision of water services in the region.

In December 2007, the MEC for the Department of Co-operative Governance and Traditional Affairs intervened in the operations of the municipal entity through the application of Section 139 (1) (b) of the Constitution. Since then the municipal entity reports to the MEC, and the municipality performs a supporting role to the municipal entity.

In view of the entity's inability to effectively render sustainable water services, the municipality took over the operations of some of the schemes namely, Makhabeleni, Hemmarnsburg, Muden and Ndindindi (phase 2 and 3), where it felt that the effects of the incapacity of the entity were severe. During 2009/10, the Department of Co-operative Governance and Traditional Affairs commenced with a process of undertaking Section 78 assessment for an effective rendering of water services, and this process was completed during 2010/11 financial year. The outcome of Section 78 recommended that Umzinyathi District Municipality must take over the reticulation function of the water services from the 01 July 2012, and Uthukela Water as the Water Service Provider must continue to provide the bulk service of the water function.

7.2 Rural Metro Services

During 2008/09 financial year, the municipality renewed the contract with Rural Metro for the next five (5) years. Rural Metro deals with disaster management functions and other responsibilities which include fire fighting, managing the communication system to report disasters and also operations. During the year under review, the municipality was satisfied with the level of dedication and commitment shown by the service provider in dealing with fire services management issues, as the service provider managed to meet the targets which were set during the beginning of the financial year. The municipality has reviewed the performance plan for the service provider which has been entered into by both parties to ensure that tangible outputs are achieved on quarterly and annual basis.

7.3 District Information Management System – Intermap

The municipality entered into the Service Level Agreement with Intermap to assist the municipality with reviving the implementation and functionality of District Information Management System (DIMS). Information technology and systems have become a significant part of every organisation's day to day operations and is viewed as a critical resource, hence the municipality revived the implementation and functionality of DIMS.

Intermap's responsibilities included taking care of institutional arrangements, performance management, administration, human resources, procurement, integrated development planning, project management, finance and office and data adaptors. Intermap also provided IT support on web hosting and managing the municipal IT system.

7.4 Mun Soft

The municipality had a contract with Mun Soft financial system and their responsibilities included, amongst others, provision of financial management and administration software. The municipality was satisfied with the level of dedication and commitment by the service provider in providing the service, especially with the integrating the VIP Payroll and Sebata (financial systems).

7.5 Beak Security Services

The municipality was satisfied with the service rendered by the service provider during the year under review.

7.6 Xerox services

The municipality had a contract with Xerox. The responsibilities of Xerox included, amongst others, leasing printing machines to Council, maintenance of photocopying machines and also attended to urgent municipal queries as and when needed. The municipality was satisfied with the level of dedication and commitment shown by the service provider in providing the service.

Chapter 7: Report of the Audit Committee

Chapter 8: Report of the Oversight Committee

Chapter 9: Conclusion

During the year 2011/12, the municipality managed to deliver on its development mandate of improving the quality of life and providing quality service to its community, in spite of operating in an environment with challenges with the major one being financial constraints and escalating service delivery costs. The municipality managed to improve access to clean water and providing quality sanitation facilities by providing water to 3172 households and sanitation to 6115 households. In both targets, the municipality managed to exceed its targets which were set during the beginning of the financial year.

The municipality managed to exceed achieving its target through the expenditure of MIG to the amount of R 162,000,000.00, RBIG to the amount of R 8,966,965.59 and Massification to the amount of R 17,000,000.00. One hundred and thirty two jobs were also created through the implementation of the Expanded of Public Works Programme through the implementation of the infrastructure projects.

The municipality also effectively managed to implement other various economic development programmes which is the Construction Incubation Programme where the the municipality awarded thirteen (13) projects to the incubatees for their advancement in terms of CIDB grading. In terms of the agricultural incubation programme, thirty eight direct jobs, two seasonal jobs and eighty one indirect jobs were created. The municipality is committed and dedicated in improving the communities lives through the provision of service delivery and also creating a conducive environment for community development.