



# UMKHANYAKUDE DISTRICT MUNICIPALITY

## ANNUAL REPORT 2011/2012



*Harlingen No. 13433, Kingfisher Road, Mkhuze, 3965*

**035 573 8600**

**035 573 1094**

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## **MAYOR'S FOREWORD**

Reminiscing about 2011/2012 financial year brings nothing else but changes that people of uMkhanyakude voted for. The political landscape changed and the widespread view is that these changes will gradually bring about a better life for all communities within the District of uMkhanyakude. The inauguration of the new Council signalled better life for all communities which cuts across the entire spectrum of our people within the District of uMkhanyakude.

During 2011/2012 financial year the new Council worked tirelessly in quest of a new vision which unfortunately cannot be revealed in this Annual Report as it relates to 2012/2013 period. The 2011/2012 period therefore was mainly used to by the Council and senior officials to prepare for the first financial year in the third term of Local Government.

In terms of basic service delivery programmes, most work was covered during the second half of the financial year and this negatively affected the expenditure on MIG. Furthermore, service delivery targets were not sufficiently achieved as about 12% of the MIG funding that was allocated to the District Municipality could not be spent. A strategy though was developed to commit unspent funding on procurement of infrastructure in the next coming financial year. Drought negatively affected many parts within the District over the past five years. An application for water user's rights in Jozini Dam has been submitted to the Department of Water. Should this application be successful of which we think it will, most challenges regarding water supply throughout the District would be resolved. Accessing water from Jozini Dam would put the District Municipality back on track as a Water Service Authority and Water Service Provider. Effectively a Regional Water Scheme would have to be constructed, supplying northern and southern regions of the District. This would drastically reduce operations and maintenance costs because it would mean that one large scheme is maintained as opposed to what is currently happening whereby a large number of smaller schemes have to be maintained. Ultimately, reliable provision of water would bring massive volumes of investment in the District which would completely change the face of the District. Furthermore, poverty, inequality and unemployment which are the three major challenges that the people of uMkhanyakude are faced with, are exacerbated by poor infrastructure planning. Plans are in place to ensure that drastic changes are introduced and will be to the benefit for all citizens of uMkhanyakude District.

A number of critical vacancies at various levels of the District Municipality also negatively affected the quality of service delivery. This matter will be thoroughly addressed in the next coming financial and will form part of the five year plan for the new Council.

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Cllr S. J. Vilane

**HIS WORSHIP THE MAYOR**

## **MUNICIPAL MANAGER'S OVERVIEW**

Reporting on the performance for Umkhanyakude District Municipality during 2011/2012 financial year will be based on achievements and areas of improvements in the area of service delivery which also include overall efficiency and effectiveness of the Municipal administration systems. The performance of Umkhanyakude District Municipality evolved around five Key Performance Areas (KPA) that were prescribed by the National Government. The sixth and seventh KPAs (Spatial Planning and Environmental Management and Social Development) are unique to Umkhanyakude District Municipality. The Integrated Development Plan (IDP) for 2011/2012 informed the business of the municipality and as such, KPAs served as points of reference in measuring performance.

A lot of groundwork was covered during 2011/2012 in preparation for the first financial year in the third term of Local Government. To a certain extent, focusing much on preparing for the next coming financial year compromised a few compliance issues for 2011/2012. On the whole, preparatory work covered during this financial year was aimed at achieving long-term benefits for the District Municipality. Administrative systems had to be vigorously interrogated with the view to ultimately improving areas where service delivery has been compromised. Key issues were given serious attention, such as improved IDP alignment, effective Performance Management System (PMS), enhanced Intergovernmental Relations (IGR), Operation Clean Audit, reliable Supply Chain Management process, functional Audit Committee and Municipal Public Accounts Committee, efficient expenditure on MIG, responsive Disaster Management, well researched Corridor Development, coherent Development Planning and vibrant Local Economic Development.

The Umkhanyakude District Municipality is in a process of doing a 360<sup>o</sup> turnaround through rapid infrastructure investment which ultimately would unlock the untapped tourism and agricultural potential for the benefit of its broader communities. Creation of employment opportunities especially for women and youth could not be sufficiently achieved during this financial year but is will be receiving prime attention in the near future. The long-term vision of the District municipality will be to use the strategic geographic position as a tri-border District which is unique in KZN Province.

Building an efficient administrative unit is going to be a lengthy process for the District Municipality and this process was started in the second half of the financial year. Some kind of "clean-up operation" was engaged and it resulted in some disciplinary cases raised against some employees but these could not be concluded during 2011/2012 financial year.

There is a firm commitment on the part of the administration as well as Council to get a clean audit during 2014 going forward. New financial systems will be introduced in the next financial year as part of gearing up for 2014. An attitude of business unusual has been adopted and is filtering to all levels of the municipality.

P S Gwacela  
**Acting Municipal Manager**

## **MUNICIPAL POWERS AND FUNCTIONS**

Municipal Powers and Functions reflect activities that municipalities are obliged to perform. Partly it all depends on the category of the municipality. In terms of the Municipal Structures Act Umkhanyakude District Municipality falls under Category C.

The powers and functions of the UMkhanyakude District Municipality, tabled in terms of sections 83 and 84 of the Municipal Structures Act, are as follows:

- 1) Integrated Development Planning for the District Municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the District Municipality, taking into account the integrated developments plans on those local municipalities,
- 2) Bulk supply of water that affects a significant proportion of municipalities in the district
- 3) Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- 4) Municipal Health Services serving the area of the District Municipality as a whole
- 5) Fire Fighting services serving the area of the District Municipality as a whole

The following functions are shared by both the district and its family of municipalities:

- 1) Promotion of local Tourism;
- 2) Fire fighting services;
- 3) Municipal airports;
- 4) Municipal planning;
- 5) Municipal public transport;
- 6) Cemeteries, funeral parlours and crematoria;
- 7) Refuse removals, refuse dumps and solid waste removals;
- 8) The establishment conducts and control of fresh produce markets and abattoirs; and
- 9) Municipal roads which form integral part of a road transport system for the area of the District Municipality as a whole.

## EXECUTIVE SUMMARY

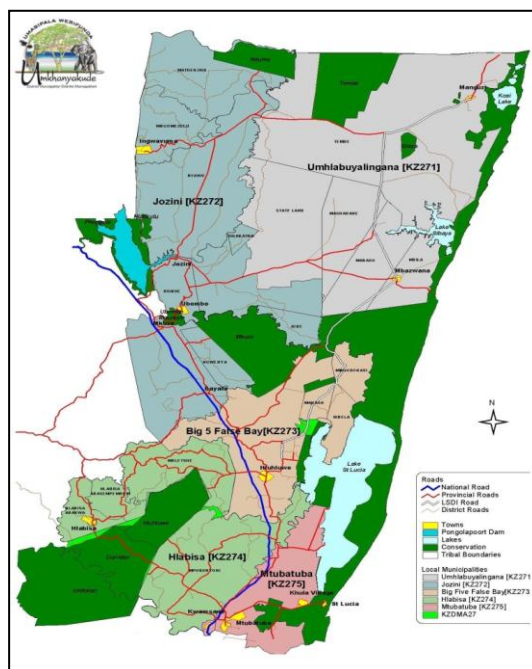
The process of compiling an annual report commenced in August 2012 when the District Municipality submitted Annual Financial Statements to Auditor General which was in terms of S 126(1)(a) of the MFMA. Parallel to this process was the finalisation of the annual performance report which was also submitted to Auditor General. The preparation of the 2011/2012 annual report is informed by

- ⇒ **Chapter 1:** This section gives an **overview of Umkhanyakude District Municipality** in terms of its location and demographics.
- ⇒ **Chapter 2:** This section reports on the **performance highlights** of Umkhanyakude District Municipality. Performance targets were set and were managed using the Performance Management System.
- ⇒ **Chapter 3:** This section of the annual report reflects **human resources and institutional arrangement issues**. On the human resources level there are details regarding programmes such as skills development; employment equity, capacity building, discipline just to mention a few. There are also remuneration disclosures for senior officials and councillors.
- ⇒ **Chapter 4:** This chapter presents **financial performance**.
- ⇒ **Chapter 5:** This chapter covers **audited financial statements**.
- ⇒ **Chapter 6:** This chapter presents **Auditor General's audit findings**.
- ⇒ **Annexures:**
  - Annexure 1 reflects on the **consolidated performance report** (financial and non-financial); and
  - Annexure 2 contains an **annual report for uMhlosinga Development Agency**

# CHAPTER 1: OVERVIEW OF UMKHANYAKUDE DISTRICT MUNICIPALITY

## 1.1 OVERVIEW OF THE DISTRICT

Umkhanyakude District Municipality (DC 27) is located in the North East of KwaZulu-Natal Province, South Africa (**Latitude 27°37'21.63"S, Longitude 32°01'47.14"E**). From North East to South East, the District stretches from KwaNgwanase, which is under Umhlabuyalingana Municipality to Mtubatuba. The Eastern Coastal belt is mainly comprised of environmentally protected areas which are managed by the Isimangaliso Wetland Park Authority. This part of the District was declared as a World Heritage Site. Towards the South of the District, there is Hluhluwe which is under the Big 5 False Bay Municipality. This Municipality is situated almost at the centre of the District. The Lubombo Mountains and the N2 form part of the physical divide within the District. From North West to South West, the District stretches from Manyiseni which is under Jozini municipality, to Hlabisa. Along the Western side of the District lays Zululand District Municipality. Umfolozi River which runs along the South of Mtubatuba, separates Umkhanyakude from uThungulu District Municipality.



The following municipalities form part of Umkhanyakude District:

- Umhlabuyalingana Municipality - KZ 271
- Jozini Municipality - KZ 273
- The Big 5 False Bay Municipality - KZ 273
- Hlabisa Municipality - KZ 274
- Mtubatuba Municipality - KZ 275



## 1.2 MUNICIPAL BOUNDARY SHIFTS

The Municipal Demarcation Board (MDB) completed the process to prepare for the wards delimitation, which came into effective after the expiry of the term of office for the second term of Local Government. As such, major shift in municipal boundaries resulted in the following changes:

- 1) The DMA, under the jurisdiction of the District, ceased to exist and was geographically split among three (3), i.e. The Big Five False Bay; Mtubatuba and Umhlabuyalingana municipalities; and
- 2) Areas integrated in KZ 273 included portion of the DMA; portion of kwa-Jobe; Portion of Mbazwana (South). Regarding Hlabisa and Mtubatuba, Hlabisa lost all its Mpukunyoni wards (12 wards), which were then amalgamated to Mtubatuba. Hlabisa was only left with eight wards, which translated to 16 councillors. Furthermore at Mtubatuba the DMA boundary cutting through Dukuduku area vanished.

Therefore a new map indicating new municipal boundaries, and new population figures as per local municipalities would be provided in the final document. In terms of the new municipal ward demarcation, Umkhanyakude District family of municipalities is as follows:

<b>MUNICIPALITY</b>	<b>No. of COUNCILLORS (2011)</b>	<b>No. of WARDS (2011)</b>
KZ271	34	17
KZ272	40	20
KZ273	07	04
KZ274	16	08
KZ275	38	19
DC 27	29	00
<b>Total</b>	<b>168</b>	<b>68</b>

### 1.3 DEMOGRAPHIC FIGURES

STATSSA finally released data on the 19 November 2012. A lot of work will go into analysing this data in the IDP for 2013/2014.

#### Population Growth Rates by Municipality - 1996, 2001 and 2011

Municipality	Total population		Population growth rate (1996-2001)	Total population	Population growth rate (2001-2011)
	1996	2001		2011	
<b>DC27: Umkhanyakude</b>	<b>503 757</b>	<b>573 341</b>	<b>2,6%</b>	<b>625 846</b>	<b>0,9%</b>
KZN271: Umhlabuyalingana	128 616	142 565	2,1%	156 736	0,9%
KZN272: Jozini	151 747	184 206	3,9%	186 502	0,1%
KZN273: The Big 5 False Bay	28 857	31 482	1,7%	35 258	1,1%
KZN274: Hlabisa	65 978	69 269	1,0%	71 925	0,4%
KZN275: Mtubatuba	128 559	145 820	2,5%	175 425	1,8%

Source: STATSSA – Census 2011

- Between 2001 and 2011, it is estimated that the population for Umkhanyakude District Municipality increased by 0,9%, which is below 1% per annum for the past ten years
- This is a very low growth figure but is consistent with provincial figure of 0.7%

#### Average households size by municipality - 2001 and 2011

DC27: Umkhanyakude	Total population		Number of households		Average hh size	
	2001	2011	2001	2011	2001	2011
<b>DC27</b>	<b>573 341</b>	<b>625 846</b>	<b>101 563</b>	<b>128 195</b>	<b>5.5</b>	<b>4.8</b>
KZN271	142 565	156 736	26 324	33 857	5.3	4.6
KZN272	184 206	186 502	33 589	38 849	5.4	4.8
KZN273	31 482	35 258	6 214	7 998	4.8	4.0
KZN274	69 269	71 925	10 611	12 586	6.4	5.6
KZN275	145 820	175 425	24 826	34 905	5.8	4.9

Source: STATSSA – Census 2011

- The average household size has decreased from 5.5 to 4.8 which is consistent with low population growth
- These factors could be attributed to migration to urban areas and high mortality rates due to diseases.

### Distribution of the population by functional age groups and municipality 2001 & 2011

DC27: Umkhanyakude	2001			2011		
	Male	Female	Total	Male	Female	Total
0-14	124 117	125 163	249 280	127 864	124 066	251 930
15-64	126 867	170 743	297 610	151 585	194 280	345 865
65+	8 405	18 046	26 451	9 197	18 853	28 051
<b>Total</b>	<b>259 389</b>	<b>313 952</b>	<b>573 341</b>	<b>288 646</b>	<b>337 200</b>	<b>625 846</b>

Source: STATSSA – Census 2011

- Population above 65 years is significantly low
- Males represent 46% and females, 54%
- These figures have implications in the development of programmes for vulnerable groups and youth.

### Distribution of the population aged 20 years and older by level of education attained and municipality- 2001 and 2011

DC27: Umkhanyakude	2001			2011		
	Male	Female	Total	Male	Female	Total
No schooling	40 209	73 657	113 866	47 238	26 062	73 300
Some primary	15 673	22 196	37 870	25 821	17 911	43 732
Complete primary	4 953	6 515	11 468	6 989	5 079	12 068
Some secondary	20 151	24 730	44 881	40 212	31 980	72 192
Std 10/Grade 12	12 676	16 286	28 962	42 353	31 573	73 926
Higher	3 561	5 208	8 769	8 377	5 638	14 014
<b>Total</b>	<b>97 223</b>	<b>148 594</b>	<b>245 817</b>	<b>170 990</b>	<b>118 242</b>	<b>289 232</b>

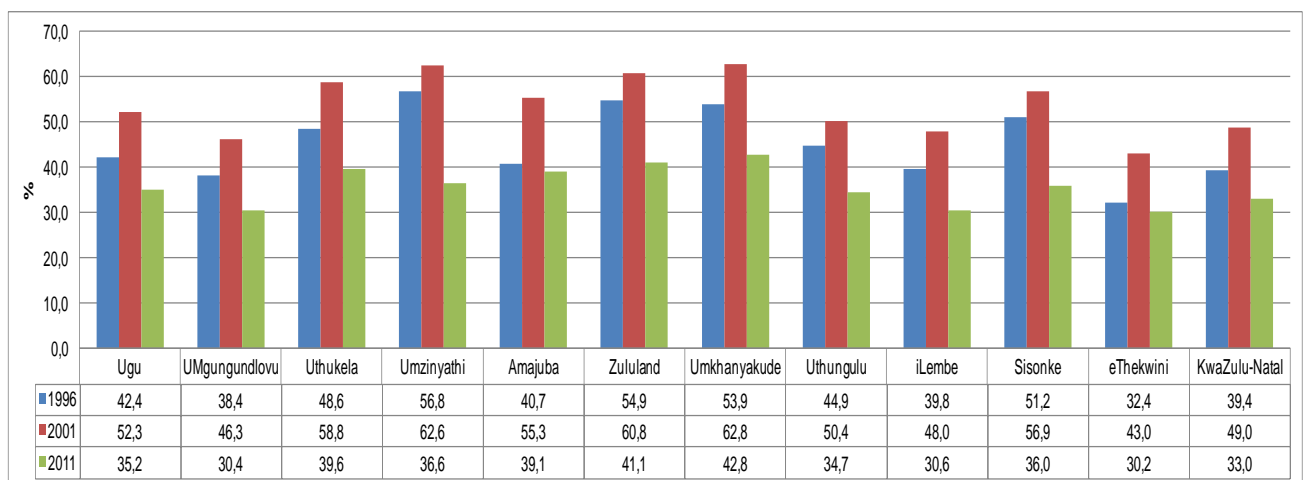
Source: STATSSA – Census 2011

- Individual with higher education is very low at 14 014, which is 2% of the population

Distribution of the population aged between 15 and 64 years by employment status and municipality - 2001 and 2011

DC27: Umkhanyakude	Employed		Unemployed		Unemployed Rate	
	2001	2011	2001	2011	2001	2011
<b>DC27</b>	<b>38 124</b>	<b>58 924</b>	<b>64 335</b>	<b>44 104</b>	<b>62,8</b>	<b>42,8</b>
KZN271	7 272	12 017	16 186	10 690	69,0	47,1
KZN272	9 428	15 950	14 120	12 559	60,0	44,1
KZN273	3 962	5 348	3 524	1 930	47,1	26,5
KZN274	2 671	5 396	8 589	5 983	76,3	52,6
KZN275	14 791	20 213	21 916	12 942	59,7	39,0

Source: STATSSA – Census 2011



- Unemployment rate has decreased from 62.8% in 2001 to 42.8% in 2011.
- Unemployment still remains unacceptably high as it is the highest in the province, compared to all other districts.
- It must be noted though that the unemployment rate of 42.8% is a much better improvement than 1996 figure.

## CHAPTER 2: PERFORMANCE HIGHLIGHTS

### 2.1 INFRASTRUCTURE DEVELOPMENT

The District Municipality is mainly focusing on the provision of basic water and basic sanitation services. The provision of basic electricity has now been devolved to local municipalities. However the District Municipality still holds two licenses to service Ingwavuma and KwaMsane areas. The following points summarises functional areas of infrastructure development for Umkhanyakude District Municipality:

- Water Services Authority. This Section, inter alia, is the engine room for the planning of proper projects implementation.
- Project Management Unit which oversees execution of projects.
- Water services Provision which does operation and maintenance of water services infrastructure.
- Energy Unit which deals with the maintenance of energy infrastructure.

Targets for infrastructure could not be achieved by the end of the financial year. It is estimated that about 15% of targeted households could not benefit from water and sanitation projects. The intervention by CoGTA to second an expert in engineering and technical services brought about more relief to the Municipality. The expert assisted the Municipality to focus more on operational issues. The CoGTA expert (Mr M Msiwa) focussed on the following issues:

- Infrastructure reliability
- Water quality, to ensure safety of drinking water and improving the “blue drop” performance
- Water resources – development & protection
- Financial viability of the water business including revenue collection & enhancement, in collaboration with CFO
- Minimizing interruptions and limiting duration to 4-5 hours
- operational organization – re-organizing teams
- Stakeholder engagement
- Community engagement
- Employee development and leadership development
- Customer satisfaction

Other COGTA interventions in infrastructure throughout the District include the following:

- Borehole refurbishment
- Re-instatement / refurbishment of dysfunctional water schemes
- Operation and maintenance of water supply
- Technical skills
- New water infrastructure
- Electricity programme
- Water tanker repairs (CoGTA funding, also on tanker hire)

## 2.1.1 Infrastructure Backlogs

### Water and Sanitation

Details	Total HHs (1 hh = 5.5 people)	Backlogs and Eradication Costs							
		Water				Sanitation			
		HHs Unserved	HHs with Access	% Access	Eradication Costs (rounded in millions)	HHs Unserved	HHs with Access	% Access	Eradication Costs (rounded in millions)
<b>Total</b>	<b>119,363</b>	<b>43,611</b>	<b>75,752</b>	<b>63.5</b>	<b>R 2,435.16</b>	<b>41,037</b>	<b>78,326</b>	<b>65.6</b>	<b>R 382.18</b>

Source: 2010 COGTA and DWA Survey

- 36% of households still do not have access to potable water (42 971hh)
- 34% of households still do not have access to sanitation services (40 583hh)
- Figures for Census 2011 indicate that about 48944 households still do not have potable water and 23 578 households have no access to sanitation.

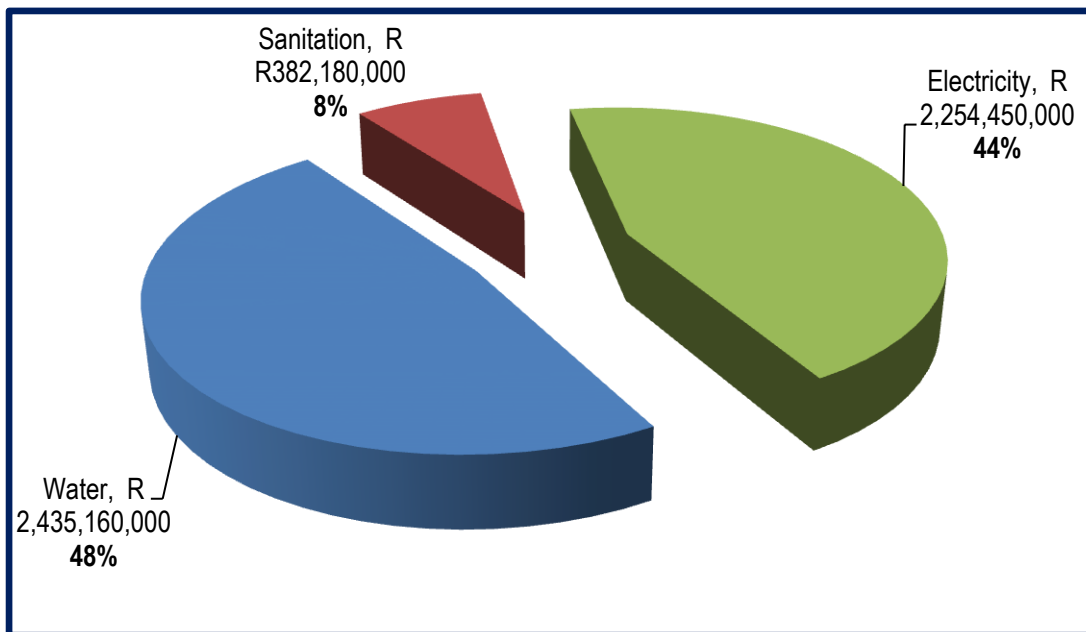
### Electricity

Details	Total HHs	Backlogs and Eradication Costs				
		Electricity				
		HHs Unserved	% Unserved	HHs with Access	% Access	Eradication Costs (rounded in millions)
<b>Total</b>	<b>119,363</b>	<b>104,897</b>	<b>88%</b>	<b>14,466</b>	<b>12%</b>	<b>R 2,254.45</b>

Source: 2010 COGTA and DWA Survey

- About 88% of households do not have access to electricity, especially the Northern region of the District (more that 60% of households are situated at KZ 271 and KZ 272)
- Eradication of electricity backlog requires R2,8 bn
- According to 2011 Census, only 13% of households have access to electricity for cooking and 38.4% households have access to electricity for lighting.

## Service Delivery Eradication Costs



- Eradication of water and sanitation requires about R2,8bn
- Eradication of electricity backlog requires R2,3bn
- Total Service Delivery eradication costs amount to more than R5bn
- These backlogs cannot be eradicated by 2014

The following table presents a progress report in the implementation of infrastructure projects as at the end of June 2012:

### 2.1.3 INFRASTRUCTURE PROJECTS FOR 2011/2012

Strategic Objective	Projects	Budget (MIG Funding)	Status
To improve access to quality, affordable and reliable municipal services (e.g., water, sanitation, electricity, refuse removal, transportation), and to provide free basic service.	<b>UMHLABUYALINGANA MUNICIPALITY</b>		
	Enkanyezini	R1 524 440	Complete
	KwaNgwanase Water Ret.	R20 874 245	In progress
	Phohlo, Bangizwe, Nyamazane	R5 500 000	In progress
	Mbazwana Sewerage/Sanitation	R1 500 000	In progress
	<b>Total</b>	<b><u>R29,398,685</u></b>	
	<b>JOZINI MUNICIPALITY</b>		
	Jobe Water Supply	R15 000 000	In progress
	Othobothini Sanitation	R1 653 410	Complete
	Makhathini Sanitation	R 4 389 682	Complete
	Jozini Reticulation	R11 000 000	Not Started
	KwaNgwenya-Nsinde Water	R5 000 000	Not Started
	Shemula to Madleni	R11 155 499	Not Started
	Jozini Low Cost Housing Sewerage	R1 500 000	Not Started
	<b>Total</b>	<b><u>R49,698,591</u></b>	
	<b>THE BIG 5 FALSE BAY MUNICIPALITY</b>		
	Hluhluwe Stormwater Drainage (ret.)	R111 315	Complete
	Hluhluwe Phase 3 (retention fees)	R254 748	Complete
	<b>Total</b>	<b><u>R366,003</u></b>	
	<b>HLABISA MUNICIPALITY</b>		
	Ezibayeni Phase 2	R2 768 003	In progress
	Mpophomeni Phase 2	R3 500 000	In progress
	Hlabisa/Mandlakazi Reticulation	R29 000 000	In progress
	Odakaneni, Mthekwini, Qhoqhoqho	R6 000 000	In progress
	<b>Total</b>	<b><u>R41,268,003</u></b>	
	Mtuba Water Treatment Work	R40 671 320	In progress
	St Lucia Bulk Water Supply	R10 000 000	Not started
	Nordale Sewerage upgrade	R572 520	Complete
	KwaMshaya – electricity reticulation	R6 000 000	Not started
		<b><u>R57,498,588</u></b>	
	<b>Total</b>	<b>R218, 901,250</b>	



## 2.2 PLANNING AND ECONOMIC DEVELOPMENT

### 2.2.1 Development Planning Shared Services (DPSS)

#### Personnel

Total No Of Positions	Staff Position	Municipality-support	Status
1	Chief Planner	Hosted by Umkhanyakhude, supporting all municipalities. Appointed in January 2010.	<input checked="" type="checkbox"/>
1	GIS Specialist	Hosted by Umkhanyakhude, supporting all municipalities. Appointed in June 2011.	<input checked="" type="checkbox"/>
1	Senior Planner (South)	Hosted by Mtubatuba, sharing with Hlabisa, Big 5 False Bay. Appointed in June 2011.	<input checked="" type="checkbox"/>
1	Senior Planner (North)	Hosted by Umhlabuyalingana municipality, sharing with Jozini. Appointed in May 2010.	<input checked="" type="checkbox"/>
1	PMS	Hosted by Umkhanyakhude, supporting all municipalities	<input type="checkbox"/>
1	GIS system administrator	Hosted by Umkhanyakhude, supporting all municipalities. Appointed in August 2012.	<input checked="" type="checkbox"/>
6			5/6

The business plan makes provision for six (6) DPSS positions. At the end of June 2012, Only the PMS position was vacant (since 2010), but has been advertised. The interviews for this position were held early in August and it is anticipated that the decision to confirm the recommendation of the Interview Panel will be finalised soon and the person appointed will start in September 2012 or early October 2012. The vacancy of this position affects the proper implementation of PMS and the overall implementation of the business plan. The GIS System Administrator's post was only filled in June 2012.

#### Finance

The cooperation of local municipalities in terms of their contributions still remains a challenge. A centralised approach was adopted, where the District is the overall Financial Manager with a dedicated financial officer. The district sends out invoices to participating municipalities to make their respective contributions into the Central Account. However, contributions from local municipalities are not forthcoming, despite various efforts to remind the participating municipalities to honour their legal obligation. This issue is addressed in various platforms, since the Chief Planner submits his reports to the municipal manager, who in turn reports to the Mayoral Forum. Top management and decision-makers are thus aware of this issue.

### **Development Applications**

The Chief Planner is the only registered planner within the shared services. PDA applications are as follows:

- Umhlabuyalingana (KZ271) – zero applications.
- Jozini (KZ272) – 4 applications received.
- Big 5 False Bay (KZ273) – 2 applications.
- Hlabisa (KZ274) – 1 application.
- Mtubatuba (KZ275) – 4 applications.

### **Development Control**

Only Jozini has dedicated building control capacity in the form of a building inspector. They are working toward putting in place the requisite systems and procedures, and eventually achieve the required enforcement. The other local municipalities however, also require this service. A proposal will be submitted to COGTA to motivate for the inclusion of this function into the DPSS Business Plan and the necessary funding.

It is reported that there is a great progress with GIS functionality within the district. Information capturing has already commenced and is in an advanced stage. The Chief Planner further reported on GIS as follows (Status Quo report – 31/7/2012):

- Most of the basic GIS Hardware & Software has been acquired and problems in this regard have been sorted out.
- Both GIS positions are filled. The GIS Specialist Position has been filled and incumbent commenced on 1 June 2011 and is an Active member of the Provincial DPSS GIS Task Team. The position of GIS Data Systems Administrator has now been filled and commenced on 1 August 2012.
- The District GIS strategy and Policy has been compiled and are due for adoption by Council by September 2012.
- Data for all the local municipalities is in the process of being captured (Cadastral and Images).
- User requirements have been done for all local municipalities.
- Data with ownership details have been acquired and ongoing engagement with a variety of Consultants to acquire District related data is ongoing.
- The Implementation of the District-Wide GIS Hub and other related projects is anticipated to be at an advanced stage in 2012/2013, given the financial investment injected by the uMkhanyakude District in this regard.
- GIS is also involved in the Property Management Project.
- Regular Implementation progress Report /Control Sheet are being compiled and submitted to COGTA on a regular basis. DPSS GIS is also performing well in respect of their monitoring and evaluation report control sheet (refer to GIS Performance areas below).

### **GIS performance areas**

<b>KEY PERFORMANCE AREA</b>	<b>PERFORMANCE INDICATORS</b>
Marketing and promoting GIS concept and application in participating municipalities	<ul style="list-style-type: none"><li>• GIS advertising materials</li><li>• GIS presentation to EXCO, management &amp; other stakeholders highlighting on GIS benefits and information products</li></ul>
Setting up a mechanism to engage and provide GIS support services as per municipal spatial information needs	<ul style="list-style-type: none"><li>• Municipal visitation</li><li>• District Planning and Development and other DPSS related meetings</li><li>• GIS strategy and policy</li><li>• Acquisition of GIS equipment</li><li>• Data acquisition and supply</li><li>• Database structure and file naming system</li></ul>
Main projects	<ul style="list-style-type: none"><li>• SDF mapping</li><li>• LUMS/scheme mapping</li><li>• Municipal value added project</li><li>• Arc Reader implementation of base maps</li><li>• Unauthorized development</li><li>• AFMS Implementation</li><li>• Backlog mapping (water, electricity &amp; sanitation)</li><li>• Web map services</li><li>• IDP project mapping</li><li>• Cadastral and property maintenance training</li></ul>

## **2.3 LOCAL ECONOMIC DEVELOPMENT**

Most interventions in the area of Local Economic Development were mainly driven by uMhlosinga Development Agency. Their Annual Report can be consulted for more information.

## **2.4 ESTABLISHMENT OF A DISTRICT PLANNING COMMISSION**

The establishment of Umkhanyakude District Family of Municipality's Development and Planning Commission is one of the groundbreaking strategic options that the new leadership of the family of municipalities has adopted. The concept of a Planning Commission was officially launched on the 01 June 2012.

This is part of a programmatic approach that is aimed at galvanizing and rallying the society and government around a single and coherent long-term vision of the district. The idea is for the broader civil society and government to reach a consensus on practical steps and timeframes to realize the agreed upon vision; and to create an institutional platform for a much more focused interaction and stakeholder engagement.

## **Vision 2030**

The vision for the Planning Commission is “Growth, Development and Delivery Excellence”.

## **Statement of Purpose**

The District Development and Planning Commission shall:

- Serve as the strategic platform and conduit for local, provincial, national and private sector development and planning agencies to integrate their planning and implementation processes;
- Conduct a diagnosis of the local environment, identify barriers to development and propose appropriate policies and strategies to accelerate the pace of economic development;
- Develop Five Year Plans for the period leading to 2030;
- Unlock the potential of the district by positively exploiting and taking advantage of the natural, cultural and heritage endowments of the district; and
- Package policies and strategies that would ensure the creation of entrepreneurial opportunities for the previously disadvantaged sector of the community; with strong emphasis on young people, women and the disabled.

## **Composition of the District Planning Commission**

- The District Development and Planning Commission shall be established and accountable to Umkhanyakude District Municipal Council;
- The DDPC shall have eight (8) part-time commissioners, one (1) representative from the KwaZulu Natal Provincial Planning Commission who shall be designated as the deputy chairperson, and one (1) representative from the Local House of Traditional Leadership;
- Eight (8) Specialized Working Committees (SWC) shall be established to serve in the key focal areas of the DDPC;
- Each SWC shall be headed by the facilitator who shall be appointed and confirmed by Council;
- Umkhanyakude District Municipality shall designate a strategic manager to act as the secretariat of the Commission;
- In consultation with the Municipal Manager, the DDPC shall, as and when necessary, source out specialists to assist the DDPC. And, this shall be done through the MFMA policy of the municipality

## **Nomination of Commissioners**

In consultation with the Municipal Council, the Mayor shall appoint the eight (8) commissioners to the District Development and Planning Commission.

## COMMUNITY AND SOCIAL SERVICES

### Arts and Culture

The following events were hosted by the District Municipality:

EVENT	VENUE	DATE	FINANCIAL IMPLICATIONS
Financial support to DC27 Choirs participating in Arts and Culture Department	Durban Olive Convention Centre	24 March 2012	Hired Three buses to Durban <b>R40 000</b>
Development and financial support towards the Youth in School participating in Choral Music	Big 5 False Bay: Makhasa Hall	12 – 13 May 2012	Trophies and Catering procured: <b>R20 000</b>
Isicathamiya Auditions in preparations for the Playhouse Competition	Big 5 False Bay: Phumlani Hall	26 May 2012	Incentives and groceries <b>R20 000</b>

### Disaster Management

Month/s	Incidents/activities	Intervention
July-November 2011	Veld and house fires occurred	Tents and blankets were issued sometimes food parcels, reports submitted to pdmc for submission to human settlement department
31 July 2011	Disaster management centre PSC meeting held	Planning about the disaster construction
27 October 2011	Disaster advisory forum meeting	Meeting on issues of disaster as prescribed by the disaster management act
15 November 2011	Practitioners meeting	Meeting with Im's representatives in dealing with co-operation and compliance
10 & 11 February 2012	Umhlabuyalingana and Jozini attacked by lightning and households affected	Assessed, assistance issued in the form of tents and blankets
3 March 2012	Irene affected the district/ heavy rain	Heavy rain affected the whole of umkhanyakude, contingency plans were made, tents and blankets issued, food vouchers issued by SASSA

Month/s	Incidents/activities	Intervention
5 March 2012	Disaster management advisory forum meeting	Meeting on issues of disaster as prescribed by the disaster management act
7 March 2012	Meeting on Irene incident feedback	Meeting after dealing with irene for feedback after giving assistance
4 May 2012	Practitioners meeting	Meeting with lm's representatives in dealing with co-operation and compliance
On going	Writing and presenting monthly reports at the PDMC	Reporting monthly incidents and about compliance
On going	Attending daily correspondence	Attending to many correspondence daily as i am alone in the section takes too much of my time.
June/July 2012	Mtubatuba fire incidents	We responded, assessed and gave assistance

#### CHALLENGES

- Staff shortage
- Fire contract ending at the end of December
- Some LMs do not have fully committed disaster official
- Shortage of rescue and fire equipment and enough staff

#### Sports and Recreation

2011/2012 BUDGET R1 2000 00.00

GOOD/SERVICE	CASH FLOW TIMELINE	ESTIMATED BUDGET
MAYORAL CUP COMPETITION	30 SEPTEMBER 2011	R248 382.00
DC 27 CAMP(KZN SALGA GAMES)	02 -07 DECEMBER 2011	R283 001
KWANALOGA GAMES 2011 PROVINCIAL GAMES	08-13 DECEMBER 2011	R1 119 860
TOTAL		R1 651 243

#### Sports codes for the District.

1. Athletics males and female
2. Basketball males and females
3. Boxing males and females
4. Cricket males
5. Dance sport

6. Football males and females
7. Indigenous games(umlabalaba, ingqathu and khoho)
8. Karate
9. Netball males and females
10. Rugby males and females
11. Volleyball males and females

The netball team both males and females obtained position 3.

**THE OVERALL RESULTS FOR UMKHANYAKUDE WAS POSITION 9.**

## **Environmental Health**

Municipal Health Services function was not fully rendered by the Municipality during the financial year period in question; due to the lack of resources e.g. qualified Environmental Health Practitioners and the service not yet officially transferred from KZN department of Health to the District Municipality. The function was being rendered by the KZN Department of Health located in Jozini and working closely with the Municipality.

In complying with the applicable legislations, the Municipality designated one official in the level of the Environmental Health Manager, to be responsible for the Municipal Health Services (MHS) devolution processes.

2011/2012 Status in terms of MHS devolution from the KZN Department of Health to Umkhanyakude District Municipality

- Devolution of Municipal Health Services Committee was appointed and started working
- The committee comprises of officials from DC 27 and KZN department of Health



## IDP AND PMS PROGRAMME FOR 2011/2012

Month	IDP Steering Committee	Development Planning Forum	IDP Representative Forum	Public Consultation	PMS
July	18/07/2011 (DC27)				SDBIP due
August		04/08/2011 (KZ271)	31/08/2011 (DC 27)		Performance Report – AG: Annual Report – 10/11 ( <b>31 Aug 2011</b> )
September	05/09/2011 (DC27)				Annual Performance Review: 10/11 ( <b>14 Sep 2011</b> )
October		26/10/2011 (KZ272)			1 <sup>st</sup> Quarterly Review ( <b>13 Oct 2011</b> )
November	07/11/2011 (DC 27)		23/11/2011 (DC 27)		
December					
January	09/01/2012 (DC27)	11/01/2012 (KZ273)			2 <sup>nd</sup> Quarterly Review & Mid-term Review ( <b>12 Jan 2012</b> ) Annual Report (2010/2011 FY) - <b>20 Jan 2012</b>
February		22/02/2012 (KZ274)			
March	05/03/2012 (DC27)				
April		18/04/2012 (KZ275)	12/04/2012 (DC 27)		3 <sup>rd</sup> Quarterly Review ( <b>07 Apr 2012</b> )
May	14/05/2012 (DC27)	23/05/2012 (DC 27)		May 2012 07, 08, 09, 10, 11	
June			20/06/2012 (DC 27)		4 <sup>th</sup> Quarterly Review/Annual Review ( <b>12 Jul 2012</b> )
<b>Total</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>4</b>	

Schedule of meetings happen in a financial year that precedes (10/11) the financial year of the implementation of the IDP (11/12)

- About 5 IDP SC meetings happened (the 5<sup>th</sup> meeting could not sit as MANCO was tied up with other activities)
- All Development Planning meetings happened successfully
- Only two IDP RF meetings happened (the last two could not sit as very few stakeholders confirmed their attendance)
- IDP/Budget consultative meetings were successful
- PMS reporting still needs to be improved as quarterly assessments did not happen.

## PREPARATION OF THE IDP FOR 2011/2012

At the end of March for each and every financial year, IDPs throughout the Province are submitted the COGTA for credibility assessment. This session lasts for about a week. After the session feedback is then given to municipalities and areas for improvement are then highlighted. At the end of June the IDP documents are then finally submitted to the MEC for comments. The IDP for Umkhanyakude District Municipality was also subjected to a similar process and the following credibility scores were achieved:

QUANTITATIVE ASSESSMENT OF UMKHANYAKUDE FAMILY OF MUNICIPALITIES 11-12 IDPs										
Municipality		Basic Service Delivery	Institutional Develop	Spatial Plan & Enviro Man	LED	Financial Viability	Good Governance	General Outlook	Average	%
KZ271	Umhlabuyalingana	2	3	2	2	1	1	2	1.86	37.14
KZ272	Jozini	2	3	4	1	2	3	3	2.57	51.43
KZ273	Big 5 False Bay	2	2	2	1	3	3	3	2.29	45.71
KZ274	Hlabisa	3	3	4	3	3	4	4	3.43	68.57
KZ275	Mtubatuba	3	2	3	1	1	3	3	2.29	45.71
DC27	Umkhanyakude	3	4	1	2	3	4	3	2.86	57.14
AVERAGE		2.50	2.83	2.67	1.67	2.17	3.00	3.00	2.55	50.95

- The maximum score for each KPA is 5.
- Generally municipalities did not perform very well.
- The DM achieved 57.14% which was 10% below 2010/2011 score.
- The DM spent a lot of time trying to assist municipalities (KZ 273 & KZ 275) that were lacking in capacity to prepare their IDP but the plan never worked as cooperation of these municipalities was not good.
- Municipalities that scored below 50% were offered assistance by CoGTA by appointing service providers to develop their IDPs.

## IMPLEMENTATION OF THE IDP

KPA	ISSUES ADDRESSED
<b>Good Governance and Community Participation</b>	Development of Public Participation and Communication strategy; Improved relations with local municipalities; effective IGR and elimination of corruption.
<b>Basic Service Delivery</b>	Provision of basic services (water, electricity and sanitation); Infrastructure backlogs, Implementation of O&M Plan.
<b>Local Economic Development</b>	Creation of a growing local economy and sustainable neighborhoods through Tourism, Agriculture and Industry; capacity building through Business Support and Development of the Municipal Entity; Effective District LED Coordinating Forum
<b>Institutional Transformation and Development</b>	Develop HR Strategy; ensure Integrated Development Planning; ensure Organizational Performance Management through the review of the Performance Management System.
<b>Municipal Financial Viability and Management</b>	Improved revenue and cash management capability; sound Supply Chain Management through implementation of SCM Policy; Capital & Operational Budget expenditure monitoring and reconciliation; Sound Financial Planning and reporting
<b>Spatial Planning and Environmental Management</b>	Review of the District-wide SDF; Development and Adoption of the District-Wide Environmental Management Framework (EMF); Formulation and Adoption of Delegations for all LMs to PDA
<b>Social Development</b>	Development of a Social Cohesion Plan; Review HIV/AIDS strategy; Develop a Disability Action Plan; Develop a Gender Action Plan; Develop a District-wide Disaster Management Plan; conduct Environmental health campaigns.

- The reporting mechanisms through the PMS still needs to be improved.
- Proper structures to monitor the implementation of the IDP need to be effective ( audit committee, Municipal Public Accounts Committee etc)
- Internal Audit unit need to be establish and there should be less reliance on service providers for performing this function.
- More details on performance targets are contained in **Annexure 1**.

## CHAPTER 3: ORGANISATIONAL DEVELOPMENT PERFORMANCE

### ORGANIZATIONAL STRUCTURE

The UMkhanyakude District Municipality's organizational structure comprises of the following five (5) departments under the office of the Municipal Manager:

Corporate Services Department

Financial Services Department

Technical Services Department

Social, Planning and Economic Development (SED) Department

Community Services Department

The Municipal Manager's office holds the accountability and responsibility for the effective and sound financial administration of the Municipality. It also provides executive support to the political structure through administration of special programmes: Youth Development; Gender & Women Empowerment; capacity building and support to Local Municipalities.

The total number of staff employed in each of the five departments on the organizational structure is as follows:

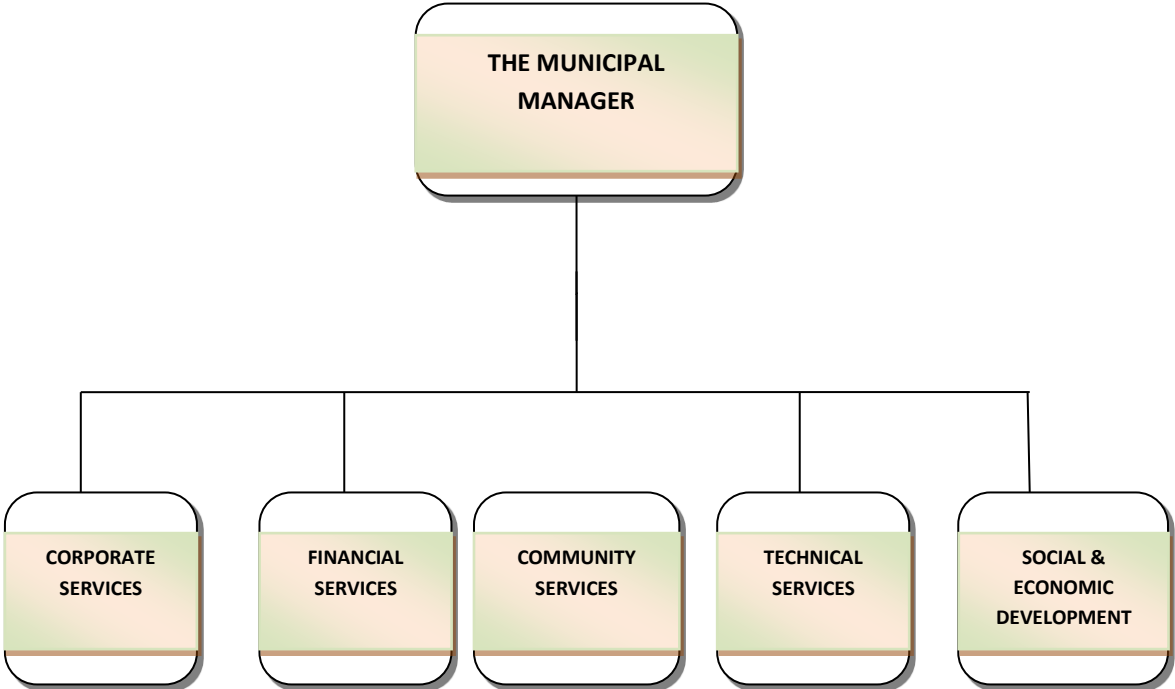
DEPARTMENTS	NUMBER OF EMPLOYEES
Office of the Municipal Manager	06
Corporate Services	31
Finance Services	41
Technical Services	231
Dept. of Social & Economic Development	12
Community Services	12
TOTAL	333

## EMPLOYEE-RELATED COST

The table below depicts the expenditure for salaries in comparison with the total salary budget for the period of three financial years up to 2010/11:

<b>Details</b>	<b>2008/2009</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>
Salary Budget	52 181 686	63 490 685	65,714,088	69,414 ,461
Actual Total Expenditure	46 754 936	50 874 550	55,085,615	62,795,378
Variance	5 426 750	12 616 135	11,628,473	6,619,083

**ORGANOGRAM**  
**TOP MANAGEMENT**



**FUNCTIONS AND KEY PERFORMANCE AREAS PER DEPARTMENT**

The duties and responsibilities of each department, including the office of the Municipal Manager are presented below:

<b>DC COUNCIL</b>				
<b>EXECUTIVE COMMITTEE</b>				
<b>OFFICE OF THE MAYOR</b>				
<b>OFFICE OF THE MUNICIPAL MANAGER</b>				
<b>Strategic Programme; Integrated Development Planning; Performance Management Communication &amp; Marketing and Spatial Development Planning</b>				
<b>CORPORATE SERVICES</b>	<b>COMMUNITY SERVICES</b>	<b>FINANCIAL SERVICES</b>	<b>TECHNICAL SERVICES</b>	<b>SOCIAL &amp; ECONOMIC SERVICES</b>
Human Resource Management	Social Development	Supply Chain Management	Infrastructure Development	Local Economic Development
Labour Relations	Sports, Culture & Recreation	Revenue	Water and Sanitation	Tourism Development
Administration and Secretariat	Youth and Disability desks	Grants and Expenditure	Water Quality Management	
Auxiliary Services	Disaster Management	Budget and financial reporting	Project Financial Control	
Fleet Control Management	Municipal Health and Environmental Services	Administration support	Electricity services	
IT Services	HIV/AIDS	Assets Management		

**MUNICIPAL VISION & MISSION**

**Vision**

“To meet basic needs and improve quality of the community in a democratic and sustainable manner”

**Mission**

“To deliver basic services to its people, support local municipalities to become viable; and good governance”; guided by the following core values:

Integrity; Equity; Transparency; Team work; Respect; Accountability; and Peace.

## EMPLOYER/EMPLOYEE RELATIONS

Umkhanyakude District Municipality and organized labour generally continued engaging on labour relations and/or employer/employee issues during the period under review.

The Local Labour Forum has been tasked with specific responsibilities such as to consult and negotiate on all matters affecting employees. Such a process has been handled through scheduled Local labour Forum meetings and is operating very well and consensus-driven.

Corporate Department also provides services such as:

- Procedures on handling of processes coming from collective agreement; and
- Performance and incapacity-related matters

With regards to disciplinary matters and disputes; such issues are dealt with through a detailed collective agreement on grievance procedures and disciplinary procedures.

## DISCLOSURE CONCERNING COUNCILORS AND SENIOR OFFICIALS

The councilor EXCO members' remuneration in the financial year under review was as follows:

DETAILS	UIF	PENSION	MEDICAL AID	TOTAL AMOUNT
MAYOR	1,372.58	-	-	739, 900.43
DEPUTY MAYOR	748.68	-	-	348, 650.80
SPEAKER	1,247.80	-	1163.92	424, 609.36
EXCO 1	1,372.58	-	-	425, 432.52
EXCO 2	1,372.84	-	-	463, 014.83
TOTAL	6,115.00	197,716.00	1163.92	2, 401, 607.94

Councilors were not contributing to the Municipal Councilors Pension Fund (MCPF).

The above figures are inclusive of all the benefits and allowances such as cell/telephone allowance, travel claims and other allowances.

### ***Additional benefits for Councilors***

EXCO members are full time and therefore provided with secretariat support (in case of the Mayor) and office accommodation (3 EXCO members are chairpersons of the Portfolio committees, as such have offices within the premises of the municipality). The Mayor's office is also within the premises of the municipality.



## Section 57 employee Remuneration - Cost to the Council

Senior officials were remunerated in terms of agreements signed with them. There were no performance bonuses paid to any Section 57 employee. That could be attributed to the absence of a Performance Management System at the time, which meant performance evaluation could not have happened. It should be noted that signed performance agreements and performance management systems are the main basis for determining performance bonuses.

The remuneration of Section 57 in the financial year under review was as follows:

Details	BASIC SALARY	TOTAL REMUNERATION	2011/12 Basic Salary	2011/12 Total Remuneration
The Municipal Manager	R 887,201.00	R 1,023,258.00	R947 530.56	R1,083,587.56
Chief Financial Officer	Post vacant	-		
The CFO Post was filled on 01 June 2012				
Executive Director (Corporate Services)	R 580,754.00	R 795,144.00	R620 245.08	R834 635.08
Executive Director (Technical Services)	R 495,981.00	R 869,600.00	R529 707.60	R903 326.60
Executive Director (Community Services)	Post vacant	-	Post Vacant	
Executive Director (SED Services)	R 548,303.00	R 870,044.61	R585 587.40	R907 329.01
<b>TOTAL</b>	<b>R2, 512,230.01</b>	<b>R 2, 535,810.61</b>	<b>R2,683,070.60</b>	<b>R2,753,649.00</b>

The total remuneration for Section 57 and 56 employees is inclusive of:

- Salary;
- Travel allowance;
- Housing allowance; and other benefits.

## EMPLOYMENT EQUITY PROFILE

The following UMkhanyakude District Municipality's Employment Equity Profile reflected the nature of appointments in different occupational levels:

### DEMOGRAPHIC PROFILE FOR EMPLOYEES (2011/2012)

#### Workforce Profile and Core & Support Functions: DC 27

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Senior management	17	0	0	1	5	0	1	0	0	0	24
Professionally qualified and experienced specialists and mid-management	19	0	0	0	6	0	0	0	0	0	25
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	28	0	0	0	5	0	0	0	0	0	33
Semi-skilled and discretionary decision making	75	0	0	0	56	0	0	0	0	0	131
Unskilled and defined decision making	23	0	0	0	10	0	0	0	0	0	33
<b>TOTAL PERMANENT</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>82</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250</b>
Temporary employees	79	0	0	0	8	0	0	0	0	0	87
<b>GRAND TOTAL</b>	<b>241</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>90</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>333</b>

**Employees with Disabilities**

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	0	0	0	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL PERMANENT</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
Temporary employees	0	0	0	0	0	1	0	0	0	0	1
<b>GRAND TOTAL</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

### Core Operation Functions and Support Functions by Occupational Level

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Senior management	17	0	0	1	5		1		0	0	24
Professionally qualified and experienced specialists and mid-management	19	0	0	0	6	0	0	0	0	0	25
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	28	0	0	0	5	0	0	0	0	0	33
Semi-skilled and discretionary decision making	75	0	0	0	56	0	0	0	0	0	135
Unskilled and defined decision making	23	0	0	0	10	0	0	0	0	0	33
<b>TOTAL PERMANENT</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250</b>
Temporary employees	79	0	0	0	8	0	0	0	0	0	87
<b>GRAND TOTAL</b>	<b>241</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>90</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>333</b>

## TERMINATION

### Termination by Occupational Level

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Senior management	1	0	1	0	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	1	0	0	0	1	0	0	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	1	0	0	0	0	0	2
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	3	0	0	0	0	0	0	0	0	0	3
TOTAL PERMANENT	0	0	0	0	0	0	0	0	0	0	0
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>9</b>

### Termination Category

Terminations	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Resignation	1	0	0	0	1		0	0	0	0	2
Non-renewal of contract	0	0	0	0	0	0	0	0	0	0	0
retrenchment – Operational requirements	0	0	0	0	0	0	0	0	0	0	0
Dismissal - misconduct	0	0	0	0	0	0	0	0	0	0	0
Dismissal - incapacity	0	0	0	0	0	0	0	0	0	0	0
Retirement	1	0	0	0	0	0	0	0	0	0	1
Death	4	0	0	0	2	0	0	0	0	0	6
<b>TOTAL</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>		<b>0</b>		<b>0</b>	<b>0</b>	<b>9</b>

## Skills Development

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Senior management	3	0	0	0			1		4
Professionally qualified and experienced specialists and mid-management	4	0	0	0		0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	3	0	0	0	4
Semi-skilled and discretionary decision making	0	0	0	0	5	0	0	0	5
Unskilled and defined decision making	0	0	0	0		0	0	0	
<b>TOTAL PERMANENT</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>1</b>		<b>17</b>
Temporary employees	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>17</b>

### **PENSIONS AND MEDICAL AID FUNDS AND FUTURE RISKS**

All employees are provided with pension fund and medical aid of their choice. In terms of Natal Joint Municipal Pension/ Provident Fund, employees have three (3) options to choose from i.e. Superannuation, Provident & Retirement. Employees transferred from Government Departments belong to Government Employees Pension Fund. There are five options upon which employees have to choose from with regard to the medical aid: The list of Pension Funds and Medical Aids are as follows:

<b>PENSION FUND</b>	<b>MEDICAL AID</b>	<b>FUTURE RISKS</b>
<ul style="list-style-type: none"><li>➤ Natal Joint Municipal Pension/Provident Fund; and</li><li>➤ Government Employees Pension Fund</li></ul>	<ul style="list-style-type: none"><li>➤ Bonitas</li><li>➤ LA Health</li><li>➤ Hosmed</li><li>➤ Samwumed</li><li>➤ Key Health</li></ul>	<ul style="list-style-type: none"><li>➤ Prolonged illness of employees;</li><li>➤ High death rate of employees</li></ul>

### **LABOUR RELATIONS**

During 2011/12 FY we had ten (3) Labour Cases that were attended to, (3) of them are still pending because are attended externally.

<b>NUMBER OF CASES</b>	<b>NUMBER OF CASES CONCLUDED</b>	<b>NUMBER OF PENDING CASES</b>
04	0	04

### **OUTCOME OF THE DISCIPLINARY HEARINGS**

- Four (4) staff members' cases are still on process.

### **ADMINISTRATION AND SECRETARIAT**

This section is composed of four (4) sub-sections i.e. Committee, Auxiliary Services, Registry and Fleet Management. The core-function of the section is to oversee proper functioning of the aforesaid sub-sections.



## COMMITTEE

Committee sub-section is responsible for compilation of ExCo and Council Agendas, co-ordination of Portfolio Committee Meetings and minutes taking.

NUMBER OF COUNCIL MEETINGS HELD		NUMBER OF EXCO MEETINGS HELD		NUMBER OF PORTFOLIO COMMITTEE MEETINGS HELD	
Planned	Actual	Planned	Actual	Planned	Actual
4	14	11	24	55	28

Thirty eight (27) Portfolio Committee Meetings did not sit due to the fact that members could not form a quorum. ExCo and Council meetings exceeded planned meetings significantly.

## AUXILIARY SERVICES

Auxiliary sub-section administers Service Providers contracted to Umkhanyakude District Municipality as specified herein below:

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	TOTAL COST
Nashua	Provides PABX System	R 660 000.00
North Coast Zululand	Provides Office Automation	R 300 000.00
Steiner Hygiene	Provides Hygiene Services	R 62 400.00 The fees reduced because some of the dispensers were discontinued.
Aros Security Services	Provides Security Services	R 1, 176 000.00
Telkom	Provides Communication System	R470 400.00

## REGISTRY

This sub-section is responsible for records keeping and monitoring of incoming and outgoing correspondences in terms of the requirements of National Archives.

## FLEET MANAGEMENT

Fleet sub-section is responsible for the management of fleet operation. R 6, 384 000.00 was budgeted for 2010/11 financial year. The Municipality operated with fifty two (51) vehicles.

## IT SERVICES

IT section is responsible for the management of computer equipment, IT infrastructure which consists of five (5) servers i.e. DIMS, ABAKUS, PAYDAY, CREDIT CONTROL and EMAIL, Networking and IT Security.

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	TOTAL COST 2011/12
Telkom	Provides Virtual Private Network (VPN)	R 672 000.00
Fujitsu	Provides Financial System Support	R 156 000.00

PayDay

Provides Payroll and HR System

R 24 000.00

## CHAPTER 4: FINANCIAL PERFORMANCE

### 4.1 STATEMENT OF FINANCIAL PERFORMANCE

DC27 Umkhanyakude - Statements of Financial Performance							
Description	2010/11	Current Year 2011/12			2011/12 Variance		Notes
		Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	
<b>R thousands</b>							
<b>Financial Performance</b>							
Property rates	-	667	958	-	-	-	
Service charges	43 382	28 402	45 106	45 793	-61%	-2%	
Investment revenue	4 797	1 500	2 300	11 144	-643%	-385%	a
Transfers recognised - operational	188 982	175 764	175 450	430 831	-145%	-146%	b
Other own revenue	499	281	5 249	5 460	-1841%	-4%	c
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>237 660</b>	<b>206 615</b>	<b>229 063</b>	<b>493 229</b>			
Employee costs	56 933	61 394	58 165	62 795	-2%	-8%	
Remuneration of councillors	3 419	7 377	4 223	2 556	65%	39%	
Depreciation & asset impairment	-	1 181	1 181	47 605	-3931%	-3931%	d
Finance charges	1 071	1 677	1 677	1 285	23%	23%	
Materials and bulk purchases	44 436	24 687	64 182	63 103	-156%	2%	e
Transfers and grants	808	2 324	10 100	5 582	-140%	45%	f
Other expenditure	23 015	107 975	89 536	69 957	35%	22%	
<b>Total Expenditure</b>	<b>129 683</b>	<b>206 615</b>	<b>229 063</b>	<b>252 884</b>			
<b>Surplus/(Deficit)</b>	<b>107 977</b>	<b>(0)</b>	<b>-</b>	<b>240 345</b>			
Transfers recognised - capital	109 264	183 315	183 315	233 333	-27%	-27%	
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>217 241</b>	<b>183 315</b>	<b>183 315</b>	<b>473 678</b>			
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>217 241</b>	<b>183 315</b>	<b>183 315</b>	<b>473 678</b>			
<b>Capital expenditure &amp; funds sources</b>							
<b>Capital expenditure</b>	<b>109 264</b>	<b>183 315</b>	<b>183 315</b>	<b>233 333</b>	<b>-27%</b>	<b>-27%</b>	
Transfers recognised - capital	109 264	183 315	183 315	233 333	-27%	-27%	
Public contributions & donations	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	
Internally generated funds	-	-	-	-	-	-	
<b>Total sources of capital funds</b>	<b>109 264</b>	<b>183 315</b>	<b>183 315</b>	<b>233 333</b>	<b>-27%</b>	<b>-27%</b>	
<b>Financial position</b>							
Total current assets	164 033	34 988	34 988	212 700	-508%	-508%	g
Total non current assets	1 121 381	1 140 183	1 140 183	1 280 156	-12%	-12%	
Total current liabilities	192 522	20 460	20 460	157 286	-669%	-669%	h
Total non current liabilities	12 743	8 563	8 563	9 837	-15%	-15%	
Community wealth/Equity	1 078 866	-	-	1 327 296			
<b>Cash flows</b>							
Net cash from (used) operating	42 980	191 113	191 113	267 394	-40%	-40%	
Net cash from (used) investing	(44 733)	24	24	(220 490)	918810%	918810%	i
Net cash from (used) financing	1 732	(1 306)	(1 306)	(832)	36%	36%	
<b>Cash/cash equivalents at the year end</b>	<b>5 298</b>	<b>194 185</b>	<b>194 185</b>	<b>51 454</b>	<b>74%</b>	<b>74%</b>	
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	128 847	143 000	143 000	-	100%	100%	
Application of cash and investments	181 832	427 403	436 689	-	100%	100%	
<b>Balance - surplus (shortfall)</b>	<b>(52 985)</b>	<b>(284 403)</b>	<b>(293 689)</b>	<b>-</b>	<b>100%</b>	<b>100%</b>	
<b>Asset management</b>							
Asset register summary (WDV)	57	-	-	-			
Depreciation & asset impairment	28	1 181	1 181	-	100%	100%	
Renewal of Existing Assets	-	112 292	112 292	-	100%	100%	
Repairs and Maintenance	-	13 092	13 092	-	100%	100%	

a to i: high percentages are as a result of underbudgeting for corresponding items.

## 4.2 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

DC27 Umkhanyakude Financial Performance of Operational Services							
	2010/11	Current Year 2011/12			2011/12 Variance		Notes
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	
<b>Expenditure - Standard</b>							
<b>Governance and administration</b>	<b>38 552</b>	<b>56 904</b>	<b>50 995</b>	<b>46 650</b>			
Executive and council	17 275	25 965	23 317	21 264	22%	10%	
Budget and treasury office	10 209	19 431	16 158	14 443	35%	12%	
Corporate services	11 068	11 508	11 519	10 943	5%	5%	
<b>Community and public safety</b>	<b>12 903</b>	<b>21 727</b>	<b>21 746</b>	<b>16 803</b>	<b>29%</b>	<b>29%</b>	
Community and social services	12 903	21 727	21 746	16 803	29%	29%	
Sport and recreation	-	-	-	-	-	-	
Public safety	-	-	-	-	-	-	
Housing	-	-	-	-	-	-	
Health	-	-	-	-	-	-	
<b>Economic and environmental services</b>	<b>5 683</b>	<b>16 197</b>	<b>13 754</b>	<b>6 874</b>	<b>136%</b>	<b>100%</b>	
Planning and development	5 683	16 197	13 754	6 874	136%	100%	a
Road transport	-	-	-	-	-	-	
Environmental protection	-	-	-	-	-	-	
<b>Trading services</b>	<b>72 544</b>	<b>111 786</b>	<b>142 568</b>	<b>79 920</b>	<b>40%</b>	<b>78%</b>	
Electricity	6 526	22 334	25 544	9 431	137%	171%	b
Water	66 018	89 452	117 024	70 489	27%	66%	
Waste water management	-	-	-	-	-	-	
Waste management	-	-	-	-	-	-	
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Expenditure - Standard</b>	<b>129 682</b>	<b>206 615</b>	<b>229 063</b>	<b>150 246</b>	<b>38%</b>	<b>52%</b>	

a and b: high percentages are as a result of overbudgeting for corresponding departments.

#### 4.3 GRANT PERFORMANCE

DC27 Umkhanyakude - Grant Performance							
Description	2010/11	Current Year 2011/12			2011/12 Variance		Notes
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Actual	Original Budget %	Adjustments Budget %	
<b>RECEIPTS:</b>							
<b>Operating Transfers and Grants</b>							
<b>National Government:</b>	<b>196 621</b>	<b>166 450</b>	<b>166 198</b>	<b>190 979</b>			
Local Government Equitable Share	133 128	159 548	159 548	188 916	118%	118%	a
Finance Management	483	1 735	1 456	895	52%	62%	
Municipal Systems Improvement	567	1 540	1 567	1 167	76%	74%	
Other transfers/grants [insert description]	62 443	3 627	3 627	-	0%	0%	
<b>Provincial Government:</b>	<b>-</b>	<b>9 314</b>	<b>9 182</b>	<b>2 481</b>			
Other transfers/grants [insert description]	-	9 314	9 182	2 481	27%	27%	
<b>Total Operating Transfers and Grants</b>	<b>196 621</b>	<b>175 764</b>	<b>175 380</b>	<b>193 459</b>			
<p>*The municipality depends mainly on government grants and subsidies, thus resulting in high receipt on equitable share.</p>							

#### 4.4 REPAIRS AND MAINTENANCE 2011/2012

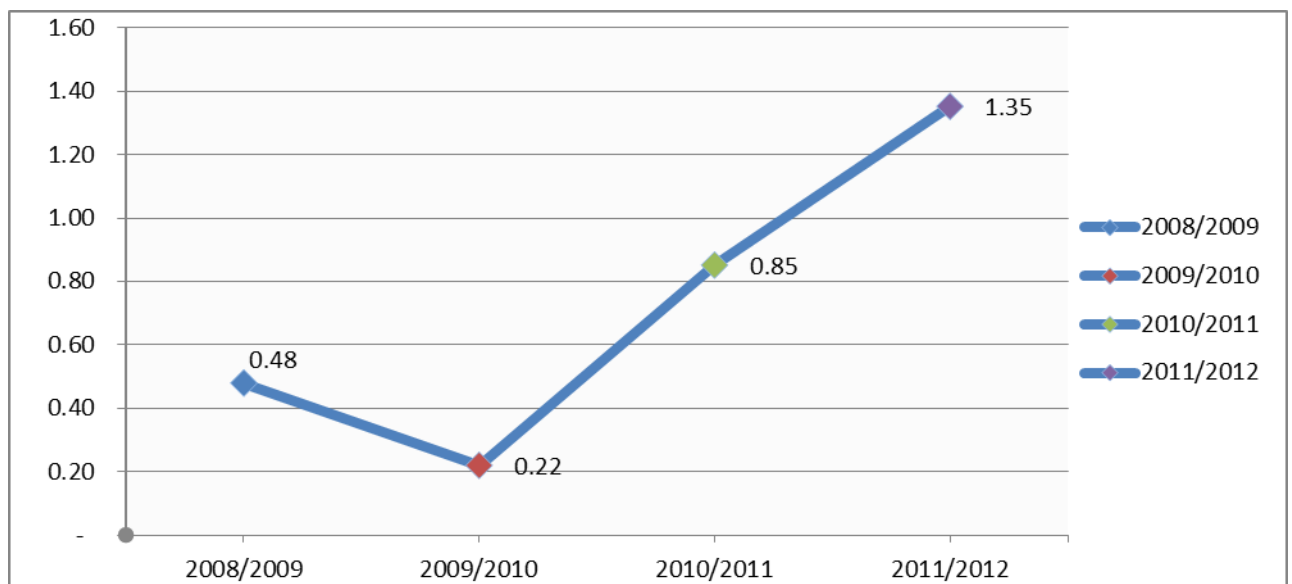
DC27 Umkhanyakude - Repairs and Maintenance 2011/12					
Description	2010/11	Current Year 2011/12			Budget Variance %
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
Repairs and Maintenance	1 144	17 239	11 632	7 183	38%
<p>Over-budgeting in repairs and maintenance is as a result of infrastructure assets that require regular maintenance because of their ageing.</p>					

#### 4.5 FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES

DC27 Umkhanyakude - Repairs and Maintenance 2011/12					
Description	2010/11	Current Year 2011/12			Budget Variance %
	Audited Outcome	Original Budget	Adjusted Budget	Actual	
Repairs and Maintenance	1 144	17 239	11 632	7 183	38%

Over-budgeting in repairs and maintenance is as a result of infrastructure assets that require regular maintenance because of their ageing.

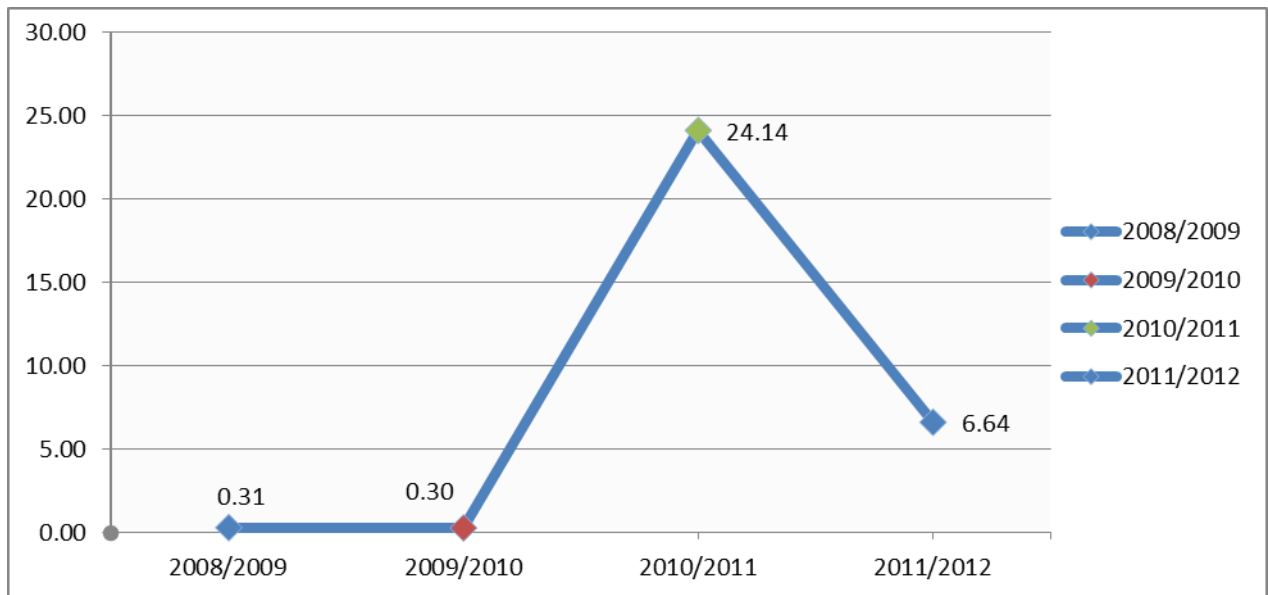
#### 4.6 LIQUIDITY RATIO



\*In 2008/2009 - 2010/2011 the municipality's inability to pay its debt as they become payable was high, hence the ratio is less than 1.

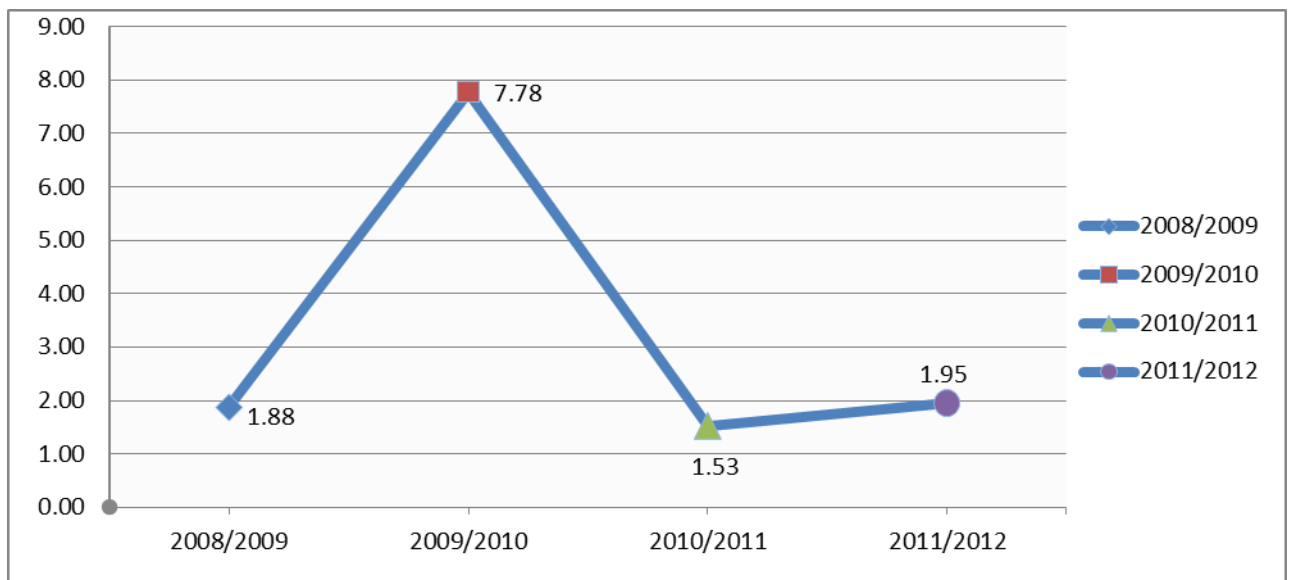
\*The ratio is more than 1 in 2011/12 financial year which indicates good improvement by the municipality.

#### 4.7 COST COVERAGE



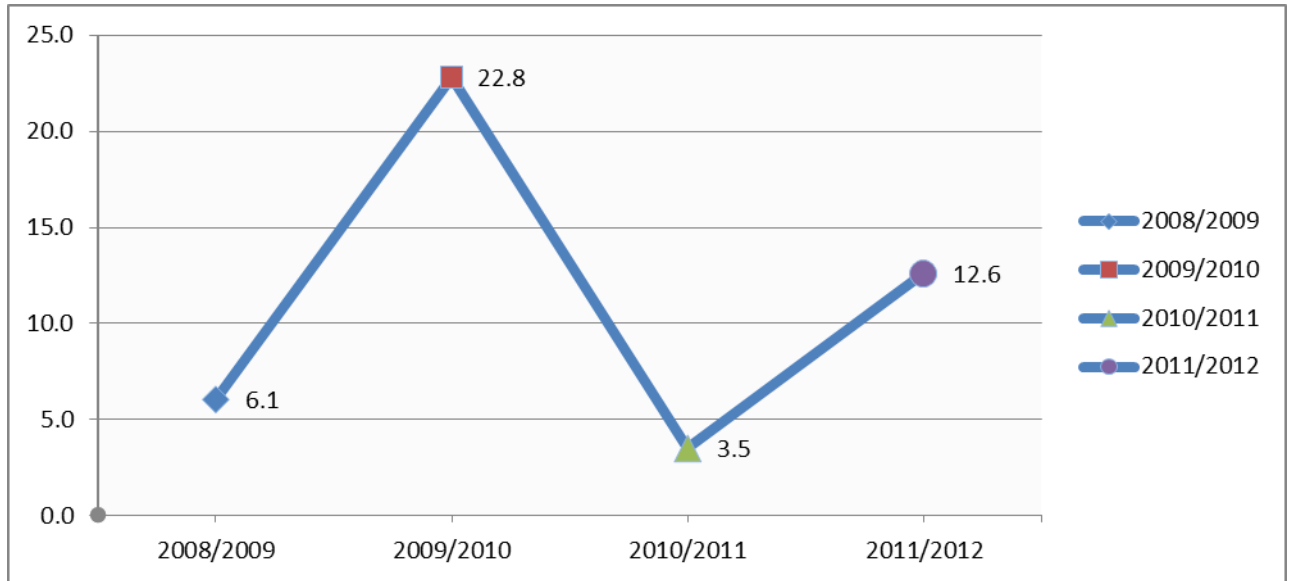
\*2008/09 - 2009/10 shows that the municipality's own revenue generated from service charges was very low but improved in the preceding financial years

#### 4.8 OUTSTANDING SERVICE DEBTORS TO REVENUE



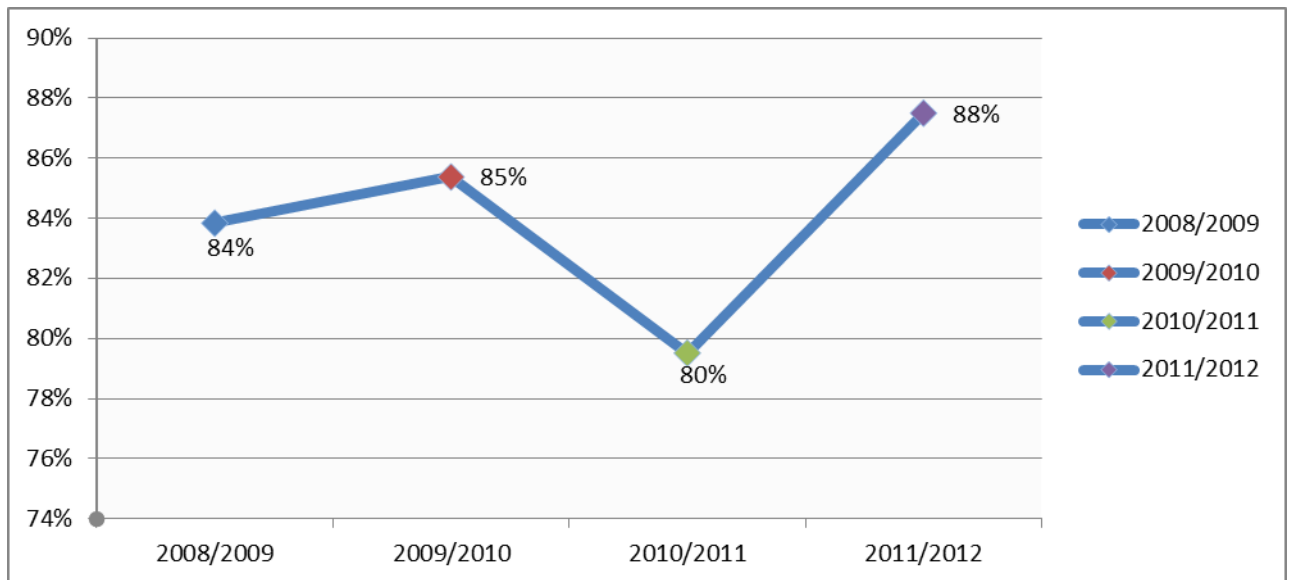
At the end of the financial year, more than half of outstanding debtors had not yet been collected as the norm is 0.5 in terms of ratio.

#### 4.9 DEBT COVERAGE



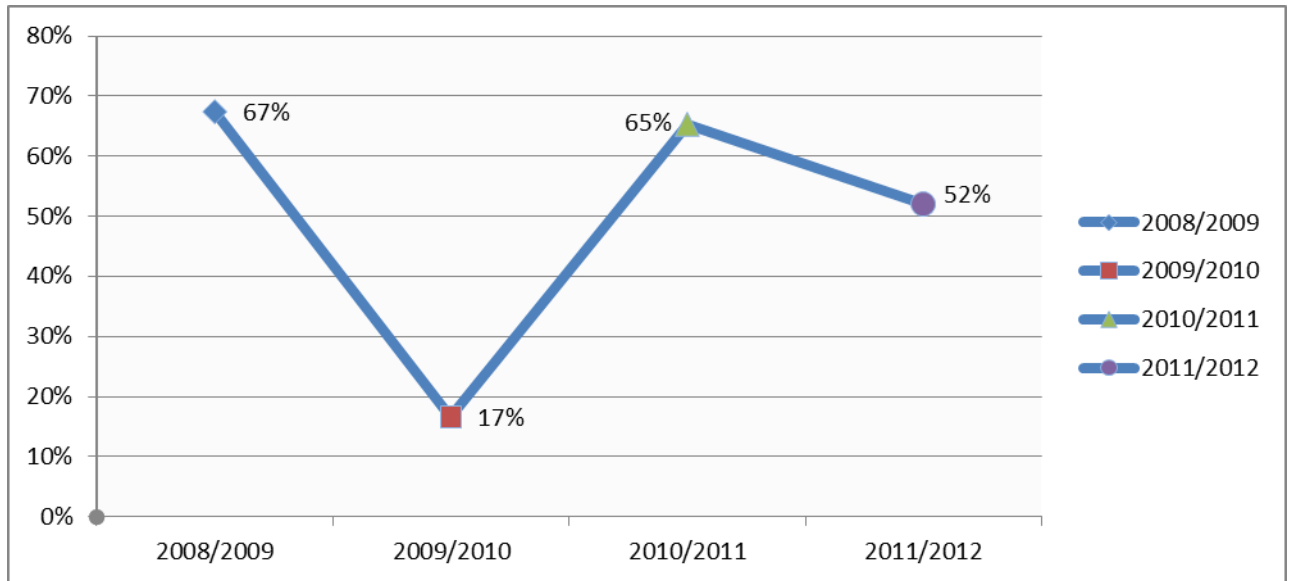
The Municipality earned sufficient Revenue from its operating activities to meet any current payments it is liable for in terms of the debts owed by it, within the next twelve months.

#### 4.10 GRANTS AS A PERCENTAGE OF REVENUE RECEIVED



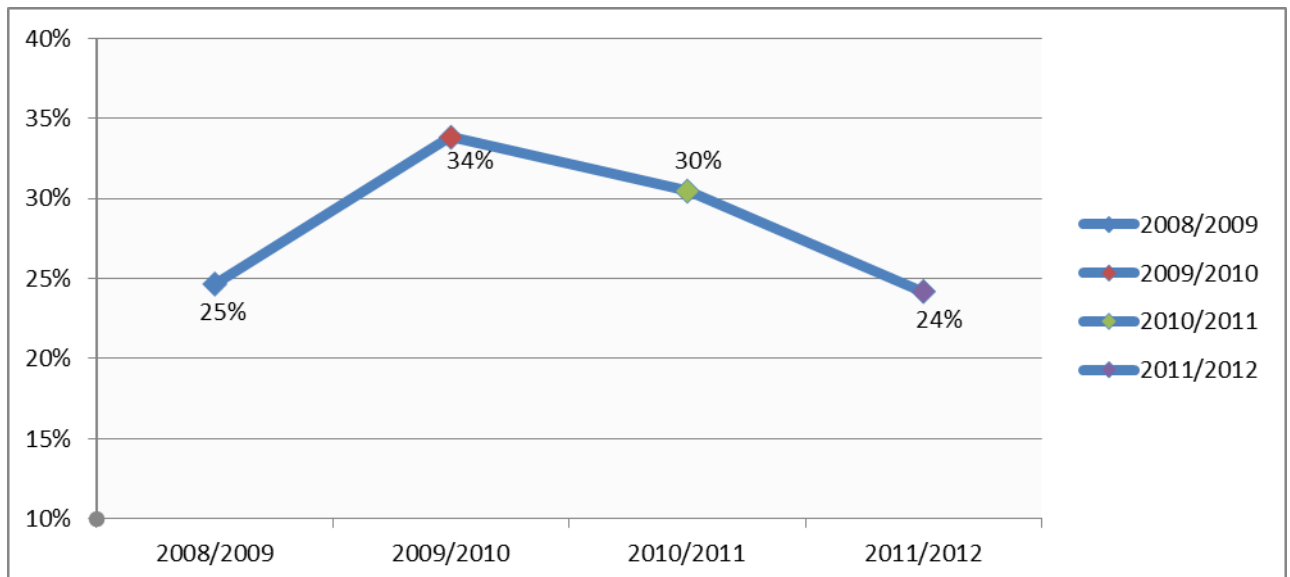
Dependency on grants by the Municipality has increased and has always remained high over the past three financial years.

#### 4.11 DEBTORS OUTSTANDING AS A PERCENTAGE OF REVENUE RECEIVED FOR SERVICES



A significant percentage of debtors were still outstanding at the end of the financial year.

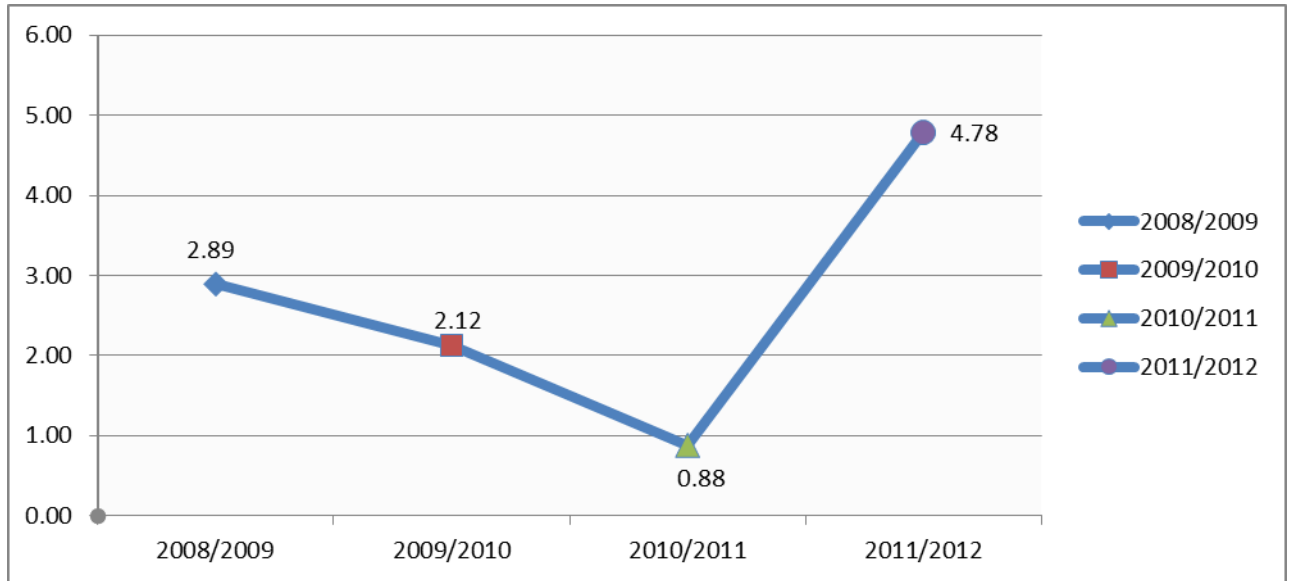
#### 4.12 SALARIES & WAGES AS A PERCENTAGE OF OPERATING BUDGET



The salary bill is healthy as it is far below 35% which is the standard norm.



#### 4.13 REPAIRS AND MAINTENANCE AS A PERCENTAGE OF OPERATING REVENUE



Ageing infrastructure has increased amount spent during 2011/2012 FY.

#### 4.14 CASH FLOW OUTCOMES

<b>DC27 Umkhanyakude - Cash Flows Outcomes</b>				
<b>Description</b>	<b>2010/11</b>	<b>Current Year 2011/12</b>		
<b>R thousand</b>	<b>Audited Outcome</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Actual</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>	<b>94 946</b>	<b>377 215</b>	<b>377 215</b>	<b>456 021</b>
Ratepayers and other	44 844	34 936	34 936	46 553
Government - operating	138 286	152 535	152 535	196 976
Government - capital	50 696	188 830	188 830	233 606
Interest	4 797	914	914	16 073
Decrease (Increase) in current debtors	(143 677)	-	-	(37 187)
<b>Payments</b>	<b>54 970</b>	<b>186 102</b>	<b>186 102</b>	<b>188 626</b>
Suppliers and employees	129 208	182 886	182 886	150 246
Finance charges	-	3 216	3 216	-
Transfers and Grants	-	-	-	-
Decrease (increase) other current payables	(74 239)	-	-	38 380
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>39 976</b>	<b>191 113</b>	<b>191 113</b>	<b>267 394</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(45 207)	-	-	(220 490)
Proceeds on disposal of PPE	474	-	-	-
Decrease (increase) other non-current receivables	-	24	24	-
Decrease (increase) in non-current investments				
<b>Payments</b>				
Capital assets				
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(44 733)</b>	<b>24</b>	<b>24</b>	<b>(220 490)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Short term loans				
Borrowing long term/refinancing	1 732	-	-	751
Increase (decrease) in consumer deposits	-	150	150	
<b>Payments</b>				
Repayment of borrowing	-	(1 456)	(1 456)	(1 583)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>1 732</b>	<b>(1 306)</b>	<b>(1 306)</b>	<b>(832)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(3 024)</b>	<b>189 831</b>	<b>189 831</b>	<b>46 072</b>
Cash/cash equivalents at the year begin:	5 319	4 354	4 354	5 298
Cash/cash equivalents at the year end:	2 294	194 185	194 185	51 370

#### 4.15 ACTUAL BORROWING

DC27 Umkhanyakude - Actual Borrowing				
Borrowing - Categorized by type	2009/10	2010/11	Current Year 2011/12	
R thousand	Audited Outcome 000	Audited Outcome 000	Original Budget 000	Adjusted Budget 000
<b>Parent municipality</b>				
Long-Term Loans (annuity/reducing balance)	10 498	12 230	8 563	8 563
Long-Term Loans (non-annuity)				
Local registered stock				
Instalment Credit				
Financial Leases	287	287	-	-
PPP liabilities				
Finance Granted By Cap Equipment Supplier				
Marketable Bonds				
Non-Marketable Bonds				
Bankers Acceptances				
Financial derivatives				
Other Securities				
<b>Municipality sub-total</b>	<b>10 785</b>	<b>12 517</b>	<b>8 563</b>	<b>8 563</b>
<b>Entities</b>				
Long-Term Loans (annuity/reducing balance)				
Long-Term Loans (non-annuity)				
Local registered stock				
Instalment Credit				
Financial Leases				
PPP liabilities				
Finance Granted By Cap Equipment Supplier				
Marketable Bonds				
Non-Marketable Bonds				
Bankers Acceptances				
Financial derivatives				
Other Securities				
Other Securities	-	-	-	-
<b>Total Borrowing</b>	<b>10 785</b>	<b>12 517</b>	<b>8 563</b>	<b>8 563</b>

#### 4.16 INVESTMENT PARTICULARS BY TYPE

DC27 Umkhanyakude - Investment particulars by type				
Investment type	2009/10	2010/11	Current Year 2011/12	
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget
<b>R thousand</b>				
<b><u>Parent municipality</u></b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank	11 193	122 602	-	-
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
Municipal Bonds				
<b>Municipality sub-total</b>	<b>11 193</b>	<b>122 602</b>	<b>-</b>	<b>-</b>
<b><u>Entities</u></b>				
Securities - National Government				
Listed Corporate Bonds				
Deposits - Bank				
Deposits - Public Investment Commissioners				
Deposits - Corporation for Public Deposits				
Bankers Acceptance Certificates				
Negotiable Certificates of Deposit - Banks				
Guaranteed Endowment Policies (sinking)				
Repurchase Agreements - Banks				
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>	<b>11 193</b>	<b>122 602</b>	<b>-</b>	<b>-</b>

**CHAPTER 5: AUDITED ANNUAL FINANCIAL STATEMENTS**

**AUDITED  
ANNUAL FINANCIAL STATEMENTS  
For The Year Ended 30 June 2012**

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**Consolidated Annual Financial Statements**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2012

	Note	Consolidated		Municipality	
		Restated		Restated	
		2012 R	2011 R	2012 R	2011 R
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	1	78 224 580	6 245 587	77 503 971	5 297 873
Trade and other receivables from exchange transactions	2	24 805 857	30 655 200	24 805 857	30 655 200
Other receivables from non-exchange transactions	3	139 613 724	7 549 175	138 813 724	7 549 175
Other current financial assets		-	-	-	-
Inventories	4	61 814	61 815	61 814	61 814
Investments	6	98 156 880	122 601 745	98 156 880	122 601 745
VAT receivable	10	18 461 338	-	18 461 338	-
		-	-	-	-
<b>Non-current assets</b>					
Other non-current financial assets		-	-	-	-
Property, plant and equipment	7	1 145 840 208	1 121 615 973	1 145 362 630	1 121 381 029
Intangible assets		-	-	-	-
Investment property carried at cost		-	-	-	-
Investment property carried at fair value		-	-	-	-
Biological assets		-	-	-	-
Correction of error (illustrative purposes only)		-	-	-	-
<b>Total assets</b>		<b>1 505 164 399</b>	<b>1 288 729 494</b>	<b>1 503 166 212</b>	<b>1 287 546 835</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables from exchange transactions	8	(52 215 162)	(46 048 551)	(51 731 817)	(46 011 929)
Consumer deposits	9	(895 731)	(788 332)	(895 731)	(788 332)
VAT payable	10	(99 088)	(1 906 867)	-	(1 743 545)
Taxes and transfers payable (non-exchange)		(61 120)	(53 921)	-	-
Current provisions	12	(9 026 843)	(5 890 015)	(8 956 628)	(5 846 708)
Bank overdraft		-	-	-	-
Current portion of unspent conditional grants and receipts	13	(95 975 685)	(128 764 583)	(95 322 194)	(128 764 583)
Current portion of borrowings	14	(1 592 234)	(840 988)	(1 592 234)	(840 988)
Current portion of finance lease liability	15	(650 874)	-	(650 874)	-
Other current financial liabilities	16	(11 524 854)	(9 230 873)	(11 524 854)	(9 230 873)
		-	-	-	-
<b>Non-current liabilities</b>					
Non-current unspent conditional grants and receipts	13	-	-	-	-
Non-current borrowings	14	(9 805 398)	(11 388 905)	(9 805 398)	(11 388 905)
Non-current finance lease liability	15	(31 294)	(682 174)	(31 294)	(682 174)
Other non-current financial liabilities	16	-	-	-	-
Defined benefit plan obligations	38	-	-	-	-
		-	-	-	-
<b>Total liabilities</b>		<b>(181 878 284)</b>	<b>(205 595 209)</b>	<b>(180 511 025)</b>	<b>(205 298 037)</b>
<b>Net assets</b>		<b>1 323 286 114</b>	<b>1 083 134 285</b>	<b>1 322 655 186</b>	<b>1 082 248 798</b>
<b>NET ASSETS</b>					
Reserves		-	-	-	-
Accumulated surplus / (deficit)		(1 323 286 116)	(1 083 134 388)	(1 322 655 187)	(1 082 248 798)
<b>Total net assets</b>		<b>(1 323 286 116)</b>	<b>(1 083 134 388)</b>	<b>(1 322 655 187)</b>	<b>(1 082 248 798)</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2012

	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
<b>Balance at 30 June 2010</b>	(974 216 466)	(974 532 660)
Changes in accounting policy	47 -	-
Correction of prior period error	48 1 904 826	1 904 826
Restated balance	(972 311 640)	(972 627 834)
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-
Other items	(3 003 749)	(3 003 749)
Other items	-	-
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	(107 818 999)	(107 818 999)
<b>Balance at 30 June 2011</b>	<b>(1 083 134 388)</b>	<b>(1 083 450 582)</b>
Correction of prior period error	-	-
Restated balance	(1 083 134 388)	(1 083 134 388)
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-
Other items	-	-
Other items	-	-
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	(240 151 727)	(240 151 727)
<b>Balance at 30 June 2012</b>	<b>(1 323 286 116)</b>	<b>(1 323 286 116)</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**

	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
<b>Balance at 30 June 2010</b>	(974 216 366)	(974 216 366)
Changes in accounting policy	47 -	-
Correction of prior period error	48 1 904 826	1 904 826
Restated balance	(972 311 540)	(972 311 540)
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-
Other items	(3 003 749)	(3 003 749)
Other items	-	-
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	(107 818 999)	(107 818 999)
<b>Balance at 30 June 2011</b>	<b>(1 082 248 904)</b>	<b>(1 082 248 904)</b>
Correction of prior period error	-	-
Restated balance	(1 083 134 288)	(1 082 248 904)
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-
Other items	-	-
Other items	-	-
Net gains and losses not recognised in the statement of financial performance	-	-
Transfers to / from accumulated surplus/(deficit)	-	-
Surplus / (deficit) for the period	(240 151 727)	(240 151 727)
<b>Balance at 30 June 2012</b>	<b>(1 322 655 187)</b>	<b>(1 322 655 187)</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT**

as at 30 June 2012

Note	Consolidated		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>	<b>489 056 977</b>	<b>213 660 651</b>	<b>482 540 758</b>	<b>206 971 588</b>
Sales of goods and services	45 792 525	44 626 566	45 792 525	44 626 566
Grants	435 997 385	195 571 319	430 831 130	188 982 151
Interest received	16 053 156	4 799 082	16 042 058	4 797 056
Other Receipt	1 189 685	1 071 230	562 789	973 361
Movement in Receivables	(9 975 773)	(32 407 546)	(10 687 743)	(32 407 546)
Movement in Receivables - Depr,Bad Debt, Disposal, Intrest		-		-
<b>Payments</b>	<b>235 604 489</b>	<b>57 587 475</b>	<b>229 171 909</b>	<b>51 803 835</b>
Employee costs	68 748 890	63 899 989	65 351 531	60 352 600
Suppliers	142 024 580	72 010 532	138 641 885	70 152 312
Interest paid	<b>1 282 650</b>	<b>1 158 982</b>	<b>1 223 853</b>	<b>1 157 978</b>
Movement in Payables	<b>23 548 370</b>	<b>(79 482 028)</b>	<b>23 954 640</b>	<b>(79 859 055)</b>
<b>Net cash flows from operating activities</b>	<b>253 452 488</b>	<b>156 073 176</b>	<b>253 368 850</b>	<b>155 167 753</b>
	31			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(206 690 855)	(45 053 384)	(206 380 112)	(44 840 106)
Purchase of Intangible				
Proceeds from sale of fixed assets	-		-	
Proceeds from sale of investments		(111 408 812)		(111 408 812)
Call deposits redeemable within 90 days	26 049 520		26 049 520	
<b>Net cash flows from investing activities</b>	<b>(180 641 335)</b>	<b>(156 462 196)</b>	<b>(180 330 592)</b>	<b>(156 248 918)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	-		-	
Repayment of borrowings	(1 583 406)		(1 583 406)	
Proceeds from finance lease liability	751 246	1 444 967	751 246	1 444 967
Repayment of finance lease liability	-	(384 506)	-	(384 506)
<b>Net cash flows from financing activities</b>	<b>(832 160)</b>	<b>1 060 461</b>	<b>(832 160)</b>	<b>1 060 461</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>	<b>71 978 993</b>	<b>671 441</b>	<b>72 206 097</b>	<b>(20 704)</b>
<b>Net cash and cash equivalents at beginning of period</b>	<b>6 245 587</b>	<b>5 574 142</b>	<b>5 297 874</b>	<b>5 318 575</b>
<b>Net cash and cash equivalents at end of period</b>	<b>78 224 580</b>	<b>6 245 583</b>	<b>77 503 971</b>	<b>5 297 871</b>
	32			



**NOTES TO FINANANCIAL STATEMENTS**  
**For The Year Ended 30 June 2012**

<b>UMKHANYAKUDE DISTRICT MUNICIPALITY</b>				
<b>NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS</b>				
<b>for the year ended 30 June 2012</b>				
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>1 CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of the following:				
Petty Cash/Cash on Hand	13 026	87 658	13 026	87 658
Cash at bank	51 333 112	4 353 782	51 333 112	4 353 782
Call Deposit	26 157 833	856 433	26 157 833	856 433
Mhlosinga Development Agent	720 609	947 713		
	<b>78 224 580</b>	<b>6 245 586</b>	<b>77 503 971</b>	<b>5 297 873</b>
The Municipality has the following bank accounts: -				
<b><u>Current Account (Primary Bank Account)</u></b>				
ABSA Bank- Mkuze Branch: Account Number: 4053107423				
Cash book balance at beginning of year	2 935 073	8 127 014	2 935 073	8 127 014
Cash book balance at end of year	23 100 171	2 935 073	23 100 171	2 935 073
Bank statement balance at beginning of year	2 935 073	8 119 855	2 935 073	8 119 855
Bank statement balance at end of year	23 100 171	2 935 073	23 100 171	2 935 073
<b><u>Current Account (Other Account)</u></b>				
First National Bank- Mkuze Branch: Account Number: 62026865321				
Cash book balance at beginning of year	1 418 710	(3 457 465)	1 418 710	(3 457 465)
Cash book balance at end of year	27 402 772	1 418 710	27 402 772	1 418 710
Bank statement balance at beginning of year	6 766 876	5 670 965	6 766 876	5 670 965
Bank statement balance at end of year	27 402 772	6 766 876	27 402 772	6 766 876
<b><u>Savings Account</u></b>				
First National Bank- Mkuze Branch: Account Number: 62092993809				
Cash book balance at beginning of year	500 521	497 182	500 521	497 182
Cash book balance at end of year	505 714	500 521	505 714	500 521
Bank statement balance at beginning of year	500 521	497 182	500 521	497 182
Bank statement balance at end of year	505 714	500 521	505 714	500 521
First National Bank- Mkuze Branch: Account Number: 62263733258				
Cash book balance at beginning of year	27 010	26 474	27 010	26 474
Cash book balance at end of year	27 270	27 010	27 270	27 010
Bank statement balance at beginning of year	27 010	26 474	27 010	26 474
Bank statement balance at end of year	27 270	27 010	27 270	27 010
ITHALA Bank- Mkuze Branch: Account Number: 23247671				
Cash book balance at beginning of year	246 933	40 913	246 933	40 913
Cash book balance at end of year	324 453	246 933	324 453	246 933
Bank statement balance at beginning of year	246 933	40 913	246 933	40 913
Bank statement balance at end of year	324 453	246 933	324 453	246 933
First National Bank : Account Number 62027696478				
Cash book balance at beginning of year	81 970	82 896	81 970	82 896
Cash book balance at end of year	81 043	81 970	81 043	81 970
Bank statement balance at beginning of year	81 970	82 896	81 970	82 896
Bank statement balance at end of year	81 043	81 970	81 043	81 970
ABSA Bank (Umhlosinga) - Cheque Account 4069762605				
Cash book balance at beginning of year	50 069	88 245		
Cash book balance at end of year	35 993	50 069		
Bank statement balance at beginning of year	50 069	88 245		
Bank statement balance at end of year	35 993	50 069		

ABSA Bank (Umhlosinga) - Call Account 9200378551				
Cash book balance at beginning of year	278 868	158 290		
Cash book balance at end of year	15 283	278 868		
Bank statement balance at beginning of year	278 868	158 290		
Bank statement balance at end of year	15 283	278 868		
ABSA Bank (Umhlosinga) - Credit Card 5474710050194018				
Cash book balance at beginning of year	9 726	7 994		
Cash book balance at end of year	1 042	9 726		
Bank statement balance at beginning of year	9 726	7 994		
Bank statement balance at end of year	1 042	9 726		
ABSA Bank (Umhlosinga) - Call Account 9236199818				
Cash book balance at beginning of year	608 860	1 000		
Cash book balance at end of year	7 307	608 860		
Bank statement balance at beginning of year	608 860	1 000		
Bank statement balance at end of year	7 307	608 860		
Nedbank(Umhlosinga) - 3699052519997				
Cash book balance at beginning of year	-	-		
Cash book balance at end of year	660 525	-		
Bank statement balance at beginning of year	-	-		
Bank statement balance at end of year	660 525	-		
Total cash and cash equivalents	78 224 580	6 245 587	77 503 971	5 297 873

		Gross Balances	Provision for	Net Balance
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		R	Doubtful Debts	R
Trade receivables		R	R	R
<b>as at 30 June 2012</b>				
Service debtors				
Land Rates				-
Electricity		R 3 391 264	-	3 391 264
Water		R 116 138 514	107 569 444	8 569 069
Sewerage		R 7 468 610	-	7 468 610
<b>Total</b>		<b>126 998 389</b>	<b>107 569 444</b>	<b>19 428 944</b>
<b>Debtors prepayments</b>			-	<b>5 376 912</b>
		-	-	<b>5 376 912</b>
<b>Total Trade and other receivables</b>		<b>126 998 389</b>	<b>107 569 444</b>	<b>24 805 857</b>
<b>as at 30 June 2011</b>				
Service debtors				
Land Rates				-
Electricity		3 230 547	-	3 230 547
Water		107 331 019	(86 675 789)	20 655 230
Sewerage		6 055 526	-	6 055 526
Refuse		-	-	-
<b>Total</b>		<b>-</b>	<b>(86 675 789)</b>	<b>29 941 302</b>
<b>Debtors Prepayments</b>		<b>713 898</b>	-	<b>713 898</b>
		<b>713 898</b>	-	<b>713 898</b>
<b>Total Trade and other receivables</b>		<b>713 898</b>	<b>(86 675 789)</b>	<b>30 655 200</b>
<b>Electricity, Water and Sewerage: Ageing</b>				
Current (0 – 30 days)	10 614 984	8 699 309	10 614 984	8 699 309
31 - 60 Days	3 285 987	2 435 360	3 285 987	2 435 360
61 - 90 Days	2 943 649	2 413 847	2 943 649	2 413 847
91 - 120 Days	2 440 784	2 180 171	2 440 784	2 180 171
121 - 365 Days	107 712 985	100 888 404	107 712 985	100 888 404
<b>Total</b>	<b>126 998 389</b>	<b>116 617 091</b>	<b>126 998 389</b>	<b>116 617 091</b>
<b>Water</b>				
Current (0 – 30 days)	10 315 877	7 831 352	10 315 877	7 831 352
31 - 60 Days	2 976 814	2 239 526	2 976 814	2 239 526
61 - 90 Days	2 779 999	2 205 382	2 779 999	2 205 382
91 - 120 Days	2 275 307	2 014 501	2 275 307	2 014 501
121 - 365 Days	97 790 517	93 040 258	97 790 517	93 040 258
<b>Total</b>	<b>116 138 514</b>	<b>107 331 019</b>	<b>116 138 514</b>	<b>107 331 019</b>
<b>Sewerage</b>				
Current (0 – 30 days)	280 808	(73 620)	280 808	(73 620)
31 - 60 Days	181 521	73 570	181 521	73 570
61 - 90 Days	63 155	89 424	63 155	89 424
91 - 120 Days	66 062	78 512	66 062	78 512
121 - 365 Days	6 877 065	5 887 640	6 877 065	5 887 640
<b>Total</b>	<b>7 468 611</b>	<b>6 055 526</b>	<b>7 468 611</b>	<b>6 055 526</b>
<b>Electricity</b>				
Current (0 – 30 days)	18 300	941 578	18 300	941 578
31 - 60 Days	127 651	122 264	127 651	122 264
61 - 90 Days	100 495	119 040	100 495	119 040
91 - 120 Days	99 416	87 159	99 416	87 159
121 - 365 Days	3 045 402	1 960 506	3 045 402	1 960 506
<b>Total</b>	<b>3 391 264</b>	<b>3 230 547</b>	<b>3 391 264</b>	<b>3 230 547</b>

<u>Summary of Debtors by Customer Classification</u>		Consumers	Industrial / Commercial	National and Provincial Government
			R	R
<b>as at 30 June 2012</b>				
Current (0 – 30 days)		27 235	(780 866)	(1 740 978)
31 - 60 Days		1 946 698	949 097	738 017
61 - 90 Days		1 975 783	844 398	547 546
91 - 120 Days		1 727 098	787 765	518 526
121 - 365 Days		81 515 796	22 960 465	14 981 807
+ 365 Days				
Sub-total		<b>87 192 610</b>	<b>24 760 859</b>	<b>15 044 918</b>

<b>2 Reconciliation of the doubtful debt provision</b>				
Balance at beginning of the year	86 675 789		86 675 789	
Contributions to provision	3 555 406	86 675 789	3 555 406	86 675 789
Doubtful debts written off against provision	17 338 249	-	17 338 249	-
Reversal of provision	-	-	-	-
<b>Balance at end of year</b>	<b>107 569 444</b>	<b>86 675 789</b>	<b>107 569 444</b>	<b>86 675 789</b>
<b>Trade and other receivables impaired</b>				
The averaged debtors impairment amounted to R 5,272,829 which was far immaterial than the debtors provision of R 107,569,444 Therefore the Debtors provision of R107 569,444 wa recognised				
<b>3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>				
Vehicles Loans	69 939	69 939	69 939	69 939
Avis Loan- MTHOMBENI LM	242 792	242 792	242 792	242 792
Loan to UMHLABUYALINGANA	108 762	2 090 006	108 762	2 090 006
Councillors & Staff	1 166 289	4 205	1 166 289	4 205
Debtor Fraud	3 805 917	3 805 917	3 805 917	3 805 917
Debtor Shemula	2 730	2 730	2 730	2 730
Sundry Debtors - WATER MTUBA	4 022 951	6 730 049	4 022 951	6 730 049
Sundry Debtors- MHLATHUZE WATER	345 633	345 633	345 633	345 633
Prepaid Expenses	100 000	100 000	100 000	100 000
Ocilwane Water	1 553 317	1 555 963	1 553 317	1 555 963
Prepayments	134 793 454			
Less:Provision For Doubtful Debt	(7 398 060)	(7 398 060)	(7 398 060)	(7 398 060)
<b>Total Other Debtors</b>	<b>138 813 724</b>	<b>7 549 176</b>	<b>4 020 270</b>	<b>7 549 175</b>
uMhlosinga	800 000			
	<b>139 613 724</b>			

<b>4 INVENTORIES</b>				
<b>Opening balance of inventories:</b>	<b>61 814</b>	<b>61 814</b>	<b>61 814</b>	<b>61 814</b>
Consumable stores - at cost	-	-	-	-
Maintenance materials - at cost	-	-	-	-
Spare parts – at net realisable value	-	-	-	-
Other goods held for resale – at cost	-	-	-	-
Water	61 814	61 814	61 814	61 814
<b>Additions:</b>	-	-	-	-
Consumable stores	-	-	-	-
Maintenance materials	-	-	-	-
Spare parts	-	-	-	-
Other goods held for resale	-	-	-	-
Water	-	-	-	-
<b>Issued (expensed):</b>	-	-	-	-
Consumable stores	-	-	-	-
Maintenance materials	-	-	-	-
Spare parts	-	-	-	-
Other goods held for resale	-	-	-	-
Water	-	-	-	-
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost</b>				
<b>5 (NRC):</b>	-	-	-	-
Consumable stores	-	-	-	-
Maintenance materials	-	-	-	-
Spare parts	-	-	-	-
Other goods held for resale	-	-	-	-
Water	-	-	-	-
<b>Closing balance of inventories:</b>	-	-	-	-
Consumable stores	-	-	-	-
Maintenance materials	-	-	-	-
Spare parts	-	-	-	-
Other goods held for resale	-	-	-	-
Water	-	-	-	-
<b>6 INVESTMENTS</b>				
Deposits	-	-	-	-
Call investments	98 156 880	122 601 745	98 156 880	122 601 745
	<b>98 156 880</b>	<b>122 601 745</b>	<b>98 156 880</b>	<b>122 601 745</b>

**UMKHANYAKUDE DISTRICT MUNICIPALITY**  
**NOTES TO THE CONSOLIDATED ANNUAL FINANANCIAL STATEMENTS**  
for the year ended 30 June 2012

<b>7 PROPERTY, PLANT AND EQUIPMENT</b>								
<b>7.1 Reconciliation of Carrying Value</b>	<b>Land</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other Assets</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2011</b>	<b>21 535 869</b>	-	<b>1 083 468 031</b>	<b>11 850 559</b>	-	<b>4 761 513</b>	-	<b>1 121 615 972</b>
Cost/Revaluation	24 041 800		1 059 002 893	12 251 944	-	24 876 598	-	1 120 173 235
Capital Under Construction			226 438 145					226 438 145
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	(2 505 931)		(201 973 007)	(401 385)		(20 115 085)		(224 995 407)
Acquisitions	-	-		-	-	1 462 146	-	1 462 146
Capital under Construction	-	-	70 418 043	-	-		-	70 418 043
Depreciation	(738 427)	-	(44 728 602)	-	-	(2 206 030)	-	(47 673 058)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-		-	-	-	-	-
Transfers	-	-		-	-		-	-
Other movements*		-	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>20 797 442</b>	-	<b>1 108 863 834</b>	<b>11 850 559</b>	-	<b>3 850 795</b>	<b>387 968</b>	<b>1 145 362 630</b>
Cost/Revaluation	24 041 800	-	1 355 565 442	12 251 944	-	26 055 473	387 968	1 418 302 627
Accumulated depreciation and impairment losses	(3 244 358)	-	(246 701 609)	(401 385)	-	(22 204 678)	-	(272 552 029)
*Other movements consist of .....								
Refer to Appendix B for more detail on property, plant and equipment <a href="#">App B!A1</a>								

**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
7.1 Reconciliation of Carrying Value	R	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>21 535 869</b>	-	<b>1 038 627 925</b>	<b>11 850 559</b>	-	<b>4 526 569</b>	-	<b>1 076 540 922</b>
Cost/Revaluation	24 041 800	-	1 240 600 932	12 251 944	-	24 593 326	-	1 301 488 002
Capital Under Construction								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	(2 505 931)		(201 973 007)	(401 385)		(20 066 757)		(224 947 080)
Acquisitions	-	-		-	-	-	-	-
Capital under Construction	-	-	44 840 106	-	-	-	-	44 840 106
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>21 535 869</b>	-	<b>1 083 468 031</b>	<b>11 850 559</b>	-	<b>4 526 569</b>	-	<b>1 121 381 029</b>
Cost/Revaluation	24 041 800	-	1 285 441 038	12 251 944	-	24 593 326	-	1 346 328 108
Accumulated depreciation and impairment losses	(2 505 931)	-	(201 973 007)	(401 385)	-	(20 066 757)	-	(224 947 079)
*Other movements consist of .....								
Refer to Appendix B for more detail on property, plant and equipment				<a href="#">App B!A1</a>				



**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2012

<b>7 PROPERTY, PLANT AND EQUIPMENT</b>								
<b>7.1 Reconciliation of Carrying Value</b>	<b>Land</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other Assets</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2011</b>	<b>21 535 869</b>	<b>-</b>	<b>857 029 886</b>	<b>11 850 559</b>	<b>-</b>	<b>4 526 569</b>	<b>-</b>	<b>1 121 618 153</b>
Cost/Revaluation	24 041 800	-	1 059 002 893	12 251 944	-	24 876 597	-	1 120 173 234
Capital Under Construction	-	-	226 438 145	-	-	-	-	226 438 145
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(2 505 931)	-	(201 973 007)	(401 385)	-	(20 112 903)	-	(224 993 226)
Acquisitions	-	-	-	-	-	1 479 252	-	1 479 252
Capital under Construction	-	-	204 917 859	-	-	-	-	204 917 859
Depreciation	(738 427)	-	(44 728 602)	-	-	(2 208 213)	-	(47 675 241)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
<b>as at 30 June 2012</b>	<b>20 797 442</b>	<b>-</b>	<b>1 243 657 288</b>	<b>11 850 559</b>	<b>-</b>	<b>3 850 795</b>	<b>-</b>	<b>1 280 340 024</b>
Cost/Revaluation	24 041 800	-	1 490 358 897	12 251 944	-	26 355 849	-	1 553 008 489
Accumulated depreciation and impairment losses	(3 244 358)	-	(246 701 609)	(401 385)	-	(22 321 115)	-	(272 668 466)
*Other movements consist of .....								
Refer to Appendix B for more detail on property, plant and equipment				<a href="#">App B!A1</a>				

**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 30 June 2011

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
7.1 Reconciliation of Carrying Value	R	R	R	R	R	R	R	R
<b>as at 1 July 2010</b>	<b>21 535 869</b>	-	<b>857 029 886</b>	<b>11 850 559</b>	-	<b>4 526 569</b>	-	<b>1 076 590 940</b>
Cost/Revaluation	24 041 800	-	1 240 600 932	12 251 944	-	24 663 319	-	1 301 557 995
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	(2 505 931)		(201 973 007)	(401 385)		(20 086 732)		(224 967 055)
Acquisitions	-	-		-	-	213 278	-	213 278
Capital under Construction	-	-	44 840 106	-	-	-	-	44 840 106
Depreciation	-	-	-	-	-	(28 354)	-	(28 354)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>21 535 869</b>	-	<b>1 083 468 031</b>	<b>11 850 559</b>	-	<b>4 761 512</b>	-	<b>1 121 615 971</b>
Cost/Revaluation	24 041 800	-	1 285 441 038	12 251 944	-	24 876 597	-	1 346 611 379
Accumulated depreciation and impairment losses	(2 505 931)	-	(201 973 007)	(401 385)	-	(20 115 086)	-	(224 995 408)
*Other movements consist of .....								
Refer to Appendix B for more detail on property, plant and equipment				<a href="#">App B!A1</a>				

<b>UMKHANYAKUDE DISTRICT MUNICIPALITY</b>				
<b>NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS</b>				
<b>for the year ended 30 June 2012</b>				
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>				
Trade creditors	(46 838 250)	(45 334 653)	(46 354 905)	(45 298 031)
<b>Add : Debtors Prepayments</b>	<b>(5 376 912)</b>	<b>(713 898)</b>	<b>(5 376 912)</b>	<b>(713 898)</b>
<b>Total creditors</b>	<b>(52 215 162)</b>	<b>(46 048 551)</b>	<b>(51 731 817)</b>	<b>(46 011 929)</b>
The fair value of trade and other payables approximates their carrying amounts.				
<b>9 CONSUMER DEPOSITS</b>				
Electricity and Water	(895 731)	(788 332)	(895 731)	(788 332)
<b>Total consumer deposits</b>	<b>(895 731)</b>	<b>(788 332)</b>	<b>(895 731)</b>	<b>(788 332)</b>
<b>10 VAT PAYABLE</b>				
VAT payable	(99 088)	(1 906 867)		(1 743 545)
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.				
<b>10 VAT RECEIVABLE</b>				
VAT receivable	18 461 338		18 461 338	
	<b>18 461 338</b>	<b>-</b>	<b>18 461 338</b>	<b>-</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.				
<b>11 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)</b>				
Taxes and transfers payable	-	-	-	-

<b>12 PROVISIONS</b>				
13th Cheque Provision	(2 221 218)	(1 432 823)	(2 221 218)	(1 432 823)
Current portion of long-service provision (see note 25)	-	-	-	-
Provision for leave	(6 805 626)	(3 353 957)	(6 735 411)	(3 310 649)
BackPay Provision		(1 103 236)		(1 103 236)
<b>Total Provisions</b>	<b>(9 026 843)</b>	<b>(5 890 016)</b>	<b>(8 956 628)</b>	<b>(5 846 708)</b>
13th cheque payments are made on each employee's anniversary month				
The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 54.				
<i>Other disclosure</i> (Provide details of the techniques and assumptions used in estimating the provisions)				
The movement in current provisions are reconciled as follows: -	<b>Performance Bonus</b>	<b>Provision for leave</b>	<b>Performance Bonus</b>	<b>Provision for leave</b>
<b>as at 1 July 2011</b>	(1 432 823)	(1 103 236)	(3 310 649)	(5 846 708)
Contributions to provision	(2 221 218)	-	(3 424 761)	(5 645 979)
Expenditure incurred	1 432 823	1 103 236	-	2 536 059
<b>as at 30 June 2012</b>	<b>(2 221 218)</b>	<b>-</b>	<b>(6 735 410)</b>	<b>(8 956 628)</b>
<b>Add: Umhlosinga Development Agency (2012 Contributions)</b>				<b>(70 215)</b>
<b>Total as @ 30 June 2012</b>				<b>(9 026 843)</b>
<b>as at 1 July 2010</b>	(842 700)	(509 218)	(2 877 512)	(4 229 430)
Contributions to provision	(590 123)	(594 018)	(433 137)	(1 617 278)
Expenditure incurred	-	-	-	-
<b>as at 30 June 2011</b>	<b>(1 432 823)</b>	<b>(1 103 236)</b>	<b>(3 310 649)</b>	<b>(5 846 708)</b>
<b>Add: Umhlosinga Development Agency (2011 Contributions)</b>				<b>(43 308)</b>
<b>Total as @ 30 June 2011</b>				<b>(5 890 016)</b>
<b>13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>				
PIMMS/ NDT Operational	(300)	(300)	(300)	(300)
FMG	(560 451)	(483 130)	(560 451)	(483 130)
Capacity Building: Asset Management	(438 028)	(784 000)	(438 028)	(784 000)
Shared Services Grant	(308 232)	(1 982 004)	(308 232)	(1 982 004)
Debt Collection Grant	(420 907)	(560 519)	(420 907)	(560 519)
Umqobokazi Sportfield	(258 244)	(258 244)	(258 244)	(258 244)
Kwazibi National Lottery	(166 667)	(166 667)	(166 667)	(166 667)
Mqobela National Lottery	(166 666)	(166 666)	(166 666)	(166 666)
Mabibi National Lottery	(166 667)	(166 667)	(166 667)	(166 667)
Mtuba Water Conservation and Demand Management	(524 310)	(524 310)	(524 310)	(524 310)
Kwazibi Water Purification Grant	(915 000)	(915 000)	(915 000)	(915 000)
KwaJobe-Cezwana Water Purification Grant	(787 880)	(787 880)	(787 880)	(787 880)
KwaJobe-Nongwoza Water Purification Grant	(915 000)	(915 000)	(915 000)	(915 000)
Bazaneni River Water Purification Grant	(756 400)	(756 400)	(756 400)	(756 400)
Disaster Management	(463 038)	(2 491 709)	(463 038)	(2 491 709)
Growth and Development Summit	(100 000)	(100 000)	(100 000)	(100 000)
Corridor Development	(702 917)	(704 800)	(702 917)	(704 800)
MSIG Grant	(189 771)	(566 784)	(189 771)	(566 784)
Intergovernmental Relations Implementation Grant (IRIG)	(917 000)	(917 000)	(917 000)	(917 000)
Expanded Public Works Programme (EPWP)	(82 094)	(82 094)	(82 094)	(82 094)
Lake Tete	(267 001)	(267 001)	(267 001)	(267 001)
Kwadapha	(578 891)	(578 891)	(578 891)	(578 891)
Vukukhanye Mashaba	46 108	46 108	46 108	46 108
Nyezi Community HIV Centre	(303 570)	(303 570)	(303 570)	(303 570)
Umkhombe Tours	(908 690)	(908 690)	(908 690)	(908 690)
Waste Management	(145 565)	(145 565)	(145 565)	(145 565)
Environmental Management Grant	(1 500 000)	(1 500 000)	(1 500 000)	(1 500 000)
Massification Grant	(17 556 991)	(1 792 000)	(17 556 991)	(1 792 000)
Rural Transport Infrastructure and System Grant	(1 687 000)	-	(1 687 000)	-
Municipal Government Administration	(800 000)		(800 000)	
Ndumo Learners Shelter	(35 000 000)		(35 000 000)	
Mig Reserves	(27 448 175)	(110 557 287)	(27 448 175)	(110 557 287)
Other	(986 337)	571 488	(332 846)	571 488
	<b>(95 975 685)</b>	<b>(128 764 583)</b>	<b>(95 322 194)</b>	<b>(128 764 583)</b>

<b>14 BORROWINGS</b>				
DBSA Loans	(11 397 632)	(12 229 893)	(11 397 632)	(12 229 893)
Annuity Loans	-	-	-	-
Government Loans : Other	-	-	-	-
Other borrowings	-	-	-	-
	<b>(11 397 632)</b>	<b>(12 229 893)</b>	<b>(11 397 632)</b>	<b>(12 229 893)</b>
Less : Current portion transferred to current liabilities	(1 592 234)	840 988	(1 592 234)	840 988
Local Registered Stock Loans		-		-
Annuity Loans	-	-	-	-
Government Loans : Other	(814 710)	-	(1 592 234)	-
Other borrowings	-	-	-	-
<b>Total borrowings</b>	<b>(9 805 398)</b>	<b>(11 388 905)</b>	<b>(9 805 398)</b>	<b>(11 388 905)</b>
<i>The Loans from Development Bank of South Africa are subject to interest at an average rate of 6,7% and are repayable over an average period of 13 years</i>				
<b>15 FINANCE LEASE LIABILITY</b>				
<b>2012</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>	<b>Future finance charges</b>	<b>Present value of minimum lease payments</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases</b>				
Within one year	(650 874)		(650 874)	
Within two to five years	(31 294)	(682 174)	(31 300)	(682 174)
	<b>(682 168)</b>	<b>(682 174)</b>	<b>(682 174)</b>	<b>(682 174)</b>
Less: Amount due for settlement within 12 months (current portion)				
The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.				
The average lease term is x years and the average effective borrowing rate is x%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between x% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.				
<b>16 OTHER FINANCIAL LIABILITIES</b>				
<b>16.1 OTHER NON-CURRENT FINANCIAL LIABILITIES</b>				
Other non-current financial liabilities				
<b>16.2 OTHER CURRENT FINANCIAL LIABILITIES</b>				
Other current financial liabilities	(11 524 854)	(9 230 873)	(11 524 854)	(9 230 873)

<b>17 SERVICE CHARGES</b>				
Sale of electricity	(4 390 387)	(5 017 085)	(4 390 387)	(5 017 085)
Sale of water	(39 784 516)	(38 179 669)	(39 784 516)	(38 179 669)
Sanitation charges	(1 617 622)	(1 429 811)	(1 617 622)	(1 429 811)
<b>Total Service Charges</b>	<b>(45 792 525)</b>	<b>(44 626 566)</b>	<b>(45 792 525)</b>	<b>(44 626 566)</b>
<b>18 RENTAL OF FACILITIES AND EQUIPMENT</b>				
Rental of Buildings	(120 592)	(167 446)	(120 592)	(167 446)
Rental of equipment	-	-	-	-
Other rentals	-	-	-	-
<b>Total rentals</b>	<b>(120 592)</b>	<b>(167 446)</b>	<b>(120 592)</b>	<b>(167 446)</b>
<b>19 INTEREST EARNED</b>				
Investments	(9 426 665)	(4 799 082)	(9 415 567)	(4 797 056)
Current Account				
Other	(1 728 821)		(1 728 821)	
<b>Total interest</b>	<b>(11 155 486)</b>	<b>(4 799 082)</b>	<b>(11 144 388)</b>	<b>(4 797 056)</b>
<b>20 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>				
Debtor	(4 897 669)		(4 897 669)	
Other				
<b>Total interest</b>	<b>(4 897 669)</b>	<b>-</b>	<b>(4 897 669)</b>	<b>-</b>
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>				
Equitable share	(188 916 098)	(133 128 378)	(188 916 098)	(133 128 378)
MIG Grant	(233 848 225)	(50 695 795)	(233 848 225)	(50 695 795)
Other Government Grants and Subsidies	(12 579 571)	(11 747 146)	(8 066 807)	(5 157 978)
<b>Total Government Grant and Subsidies</b>	<b>(435 343 894)</b>	<b>(195 571 319)</b>	<b>(430 831 130)</b>	<b>(188 982 151)</b>
<b>21.1 Equitable Share</b>				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of Rx (20X0; Rx), which is funded from the grant.				
<b>21.2 PIMMS/ NDT Operational</b>				
Balance unspent at beginning of year	( 300)	(300)	( 300)	(300)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 300)</b>	<b>( 300)</b>	<b>( 300)</b>	<b>( 300)</b>
<b>GOVERNMENT GRANT (continue)</b>				
<b>FMG</b>				
Balance unspent at beginning of year	( 483 130)	(277 187)	( 483 130)	(277 187)
Current year receipts	( 1 250 000)	(1 000 000)	( 1 250 000)	(1 000 000)
Conditions met - transferred to revenue	895 491	794 057	895 491	794 057
	277 187		277 187	
	<b>( 560 452)</b>	<b>( 483 130)</b>	<b>( 560 452)</b>	<b>( 483 130)</b>
<b>CAPACITY BUILDING: ASSET MANAGEMENT</b>				
Balance unspent at beginning of year	( 784 000)	(784 000)	( 784 000)	(784 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	345 972	-	345 972	-
	<b>( 438 028)</b>	<b>( 784 000)</b>	<b>( 438 028)</b>	<b>( 784 000)</b>
<b>MASSIFICATION GRANT</b>				
Balance unspent at beginning of year	( 1 792 000)	(1 792 000)	( 1 792 000)	(1 792 000)
Current year receipts	( 15 956 000)	-	( 15 956 000)	-
Conditions met - transferred to revenue	191 009	-	191 009	-
	<b>( 17 556 991)</b>	<b>( 1 792 000)</b>	<b>( 17 556 991)</b>	<b>( 1 792 000)</b>

GOVERNMENT GRANT (continue)				
<b>SHARED SERVICES GRANT</b>				
Balance unspent at beginning of year	( 1 982 004)	(2 276 905)	( 1 982 004)	(2 276 905)
Current year receipts	-	(649 000)	-	(649 000)
Conditions met - transferred to revenue	2 134 540	1 380 018	2 134 540	1 380 018
Adjustment	( 460 768)	(436 117)	( 460 768)	(436 117)
	<b>( 308 232)</b>	<b>( 1 982 004)</b>	<b>( 308 232)</b>	<b>( 1 982 004)</b>
<b>DEBT MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	( 560 520)	(1 318 526)	( 560 520)	(1 318 526)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	139 612	-	139 612	-
adjustment- prior year	-	758 006	-	758 006
	<b>( 420 908)</b>	<b>( 560 520)</b>	<b>( 420 908)</b>	<b>( 560 520)</b>
<b>UMNQOBOKAZI</b>				
Balance unspent at beginning of year	( 258 244)	(258 244)	( 258 244)	(258 244)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
adjustment	-	-	-	-
	<b>( 258 244)</b>	<b>(258 244)</b>	<b>( 258 244)</b>	<b>(258 244)</b>
<b>KWAZIBI NATIONAL LOTTERY</b>				
Balance unspent at beginning of year	( 166 667)	(166 667)	( 166 667)	(166 667)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 166 667)</b>	<b>( 166 667)</b>	<b>( 166 667)</b>	<b>( 166 667)</b>
<b>MQOBELA NATIONAL LOTTERY</b>				
Balance unspent at beginning of year	( 166 666)	(166 666)	( 166 666)	(166 666)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 166 666)</b>	<b>( 166 666)</b>	<b>( 166 666)</b>	<b>( 166 666)</b>
<b>MABIBI NATIONAL LOTTERY</b>				
Balance unspent at beginning of year	( 166 667)	(166 667)	( 166 667)	(166 667)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 166 667)</b>	<b>( 166 667)</b>	<b>( 166 667)</b>	<b>( 166 667)</b>
<b>MTUBA WATER CONSERVATION AND DEMAND MANAGEMENT</b>				
Balance unspent at beginning of year	( 524 309)	(524 309)	( 524 309)	(524 309)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 524 309)</b>	<b>(524 309)</b>	<b>( 524 309)</b>	<b>(524 309)</b>
<b>KWAZIBI WATER PURIFICATION</b>				
Balance unspent at beginning of year	( 915 000)	(915 000)	( 915 000)	(915 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 915 000)</b>	<b>( 915 000)</b>	<b>( 915 000)</b>	<b>( 915 000)</b>
<b>KWAJOBE CEZWANE WATER PURIFICATION</b>				
Balance unspent at beginning of year	( 787 880)	(787 880)	( 787 880)	(787 880)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 787 880)</b>	<b>( 787 880)</b>	<b>( 787 880)</b>	<b>( 787 880)</b>

<b>KWAJOBE NONGOWOZA WATER PURIFICATION</b>				
Balance unspent at beginning of year	( 915 000)	(915 000)	( 915 000)	(915 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 915 000)</b>	<b>( 915 000)</b>	<b>( 915 000)</b>	<b>( 915 000)</b>
<b>BAZANENI RIVER WATER PURIFICATION</b>				
Balance unspent at beginning of year	( 756 400)	(756 400)	( 756 400)	(756 400)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 756 400)</b>	<b>( 756 400)</b>	<b>( 756 400)</b>	<b>( 756 400)</b>
<b>DISASTER MANAGEMENT</b>				
Balance to be refunded at beginning of year	( 2 491 709)	-	( 2 491 709)	-
Current year receipts	-	(2 500 000)	-	(2 500 000)
Expenditure claimed in accordance with grant conditions	2 028 670	8 291	2 028 670	8 291
	<b>( 463 039)</b>	<b>( 2 491 709)</b>	<b>( 463 039)</b>	<b>( 2 491 709)</b>
<b>GROWTH AND DEVELOPMENT GRANT</b>				
Balance unspent at beginning of year	( 100 000)	(100 000)	( 100 000)	(100 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 100 000)</b>	<b>( 100 000)</b>	<b>( 100 000)</b>	<b>( 100 000)</b>
<b>CORRIDOR DEVELOPMENT</b>				
Balance unspent at beginning of year	( 704 800)	(1 195 000)	( 704 800)	(1 195 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	1 883	324 900	1 883	324 900
Adjustment	-	330 600	-	330 600
	-	(165 300)	-	(165 300)
	<b>( 702 917)</b>	<b>(704 800)</b>	<b>( 702 917)</b>	<b>(704 800)</b>
<b>MSIG</b>				
Balance unspent at beginning of year	( 566 784)	-	( 566 784)	-
Current year receipts	( 790 000)	(750 000)	( 790 000)	(750 000)
Conditions met - transferred to revenue	1 167 013	183 216	1 167 013	183 216
	<b>( 189 771)</b>	<b>(566 784)</b>	<b>( 189 771)</b>	<b>(566 784)</b>
<b>INTERGOVERNMENTAL RELATIONS IMPLEMENTATION GRANT</b>				
Balance unspent at beginning of year	( 917 000)	(417 000)	( 917 000)	(417 000)
Current year receipts	-	(500 000)	-	(500 000)
Conditions met - transferred to revenue	-	-	-	-
	<b>( 917 000)</b>	<b>(917 000)</b>	<b>( 917 000)</b>	<b>(917 000)</b>
<b>SUPPORT &amp; DEVELOPMENT CAPACITY GRANT</b>				
Balance unspent at beginning of year	-	(518 235)	-	(518 235)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	518 235	-	518 235
	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPANDED PUBLIC WORKS PROGRAMME (EPWP)</b>				
Balance to be refunded at beginning of year	(82 094)	(115 750)	(82 094)	(115 750)
Current year receipts	-	-	-	-
Expenditure claimed in accordance with grant conditions	-	33 656	-	33 656
	<b>( 82 094)</b>	<b>(82 094)</b>	<b>( 82 094)</b>	<b>(82 094)</b>
<b>LAKE TETE</b>				
Balance to be refunded at beginning of year	( 267 001)	(267 001)	( 267 001)	(267 001)
Current year receipts	-	-	-	-
Expenditure claimed in accordance with grant conditions	-	-	-	-
	<b>( 267 001)</b>	<b>(267 001)</b>	<b>( 267 001)</b>	<b>(267 001)</b>



<b>KWADAPHA</b>				
Balance unspent at beginning of year	( 578 891)	(578 891)	( 578 891)	(578 891)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 578 891)</b>	<b>(578 891)</b>	<b>( 578 891)</b>	<b>(578 891)</b>
<b>VUKUKHANYE MASHABA</b>				
Balance unspent at beginning of year	46 108	46 108	46 108	46 108
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>46 108</b>	<b>46 108</b>	<b>46 108</b>	<b>46 108</b>
<b>NYEZI COMMUNITY HIV CENTRE</b>				
Balance unspent at beginning of year	( 303 570)	(303 570)	( 303 570)	(303 570)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 303 570)</b>	<b>(303 570)</b>	<b>( 303 570)</b>	<b>(303 570)</b>
<b>UMKHOMBE TOURS</b>				
Balance unspent at beginning of year	( 908 690)	(908 690)	( 908 690)	(908 690)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 908 690)</b>	<b>(908 690)</b>	<b>( 908 690)</b>	<b>(908 690)</b>
<b>WASTE MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	( 145 565)	(200 000)	( 145 565)	(200 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	54 435	-	54 435
	<b>( 145 565)</b>	<b>(145 565)</b>	<b>( 145 565)</b>	<b>(145 565)</b>
<b>ENVIRONMENTAL MANAGEMENT GRANT</b>				
Balance unspent at beginning of year	( 1 500 000)	(1 500 000)	( 1 500 000)	(1 500 000)
Current year receipts	-	-	-	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 1 500 000)</b>	<b>(1 500 000)</b>	<b>( 1 500 000)</b>	<b>(1 500 000)</b>
<b>Rural Transport Infrastructure and System Grant</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	( 1 687 000)	-	( 1 687 000)	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 1 687 000)</b>	<b>-</b>	<b>( 1 687 000)</b>	<b>-</b>
<b>Municipal Government Administration</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	( 800 000)	-	( 800 000)	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 800 000)</b>	<b>-</b>	<b>( 800 000)</b>	<b>-</b>
<b>Ndumo Learners Shelter</b>				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	( 35 000 000)	-	( 35 000 000)	-
Conditions met - transferred to revenue	-	-	-	-
	<b>( 35 000 000)</b>	<b>-</b>	<b>( 35 000 000)</b>	<b>-</b>
<b>MIG Grant</b>				
Balance unspent at beginning of year	( 110 557 287)	(110 557 287)	( 110 557 287)	(110 557 287)
Current year receipts	(153 137 422)	-	(153 137 422)	-
Conditions met - transferred to revenue	235 342 200.90	-	235 342 200.90	-
Other	904 334	-	904 334	-
	<b>( 27 448 175)</b>	<b>(110 557 287)</b>	<b>( 27 448 175)</b>	<b>(110 557 287)</b>

<b>Other Grants</b>				
Balance unspent at beginning of year	571 488	571 488	571 488	571 488
Current year receipts	( 904 334)	-	( 904 334)	-
Conditions met - transferred to revenue		-		-
	<b>( 332 846)</b>	<b>571 488</b>	<b>( 332 846)</b>	<b>571 488</b>
<b>TOTAL CONDITIONAL AND OTHER GRANTS</b>				
<b>Balance Unspent at begininning of the year</b>	( 128 764 583)	(127 149 580)	( 128 764 583)	(127 149 580)
<b>Current Year Receipts</b>	( 209 524 756)	(5 399 000)	( 209 524 756)	(5 399 000)
Conditions met- transferred to revenue	242 246 392	3 627 408	242 246 392	3 627 408
Other Adjustment	720 753	156 589	720 753	156 589
		-		-
	<b>( 95 322 194)</b>	<b>( 128 764 583)</b>	<b>( 95 322 194)</b>	<b>( 128 764 583)</b>
<b>21.4 Changes in levels of government grants</b>				
Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.				

<b>22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS</b>				
<b>22.1 Other income</b>				
Other income	(430 696)	(429 781)	(442 196)	(331 912)
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	-	-	-	-
<b>Total Other Income</b>	<b>(430 696)</b>	<b>(429 781)</b>	<b>(430 696)</b>	<b>(331 912)</b>
<b>22.1 Public contributions and donations</b>				
Public contributions - Conditional	-	-	-	-
Public contributions - Unconditional	-	-	-	-
Donations	(11 500)	-	(11 500)	-
<b>Total public contributions and donations</b>	<b>(11 500)</b>	<b>-</b>	<b>(11 500)</b>	<b>-</b>
<b>23 EMPLOYEE RELATED COSTS</b>				
Employee related costs - Salaries and Wages	43 654 497	42 715 524	40 070 283	39 168 136
Employee related costs - Contributions for UIF, pensions and medical aids	6 624 363	6 902 785	6 624 363	6 902 785
Travel, motor car, accommodation, subsistence and other allowances	9 860 772	7 474 805	9 860 772	7 474 805
Housing benefits and allowances	467 572	453 946	467 572	453 946
Overtime payments	1 959 512	2 064 545	1 959 512	2 064 545
Performance and other bonuses	-	-	-	0
Long-service awards	-	-	-	0
Other employee related costs	3 812 875	869 055	3 812 875	869 055
<b>Employee Related Costs</b>	<b>66 379 592</b>	<b>60 480 659</b>	<b>62 795 378</b>	<b>56 933 271</b>
There were no advances to employees / Loans to employees are set out in note 3.				
<b>Remuneration of the Municipal Manager</b>				
Annual Remuneration	579 783	887 201	579 783	887 201
Performance- and other bonuses	26 600	-	26 600	-
Travel, motor car, accommodation, subsistence and other allowances	148 131	101 546	148 131	101 546
Contributions to UIF, Medical and Pension Funds	-	34 511	-	34 511
<b>Total</b>	<b>754 515</b>	<b>1 023 258</b>	<b>754 515</b>	<b>1 023 258</b>
<b>Remuneration of the Chief Finance Officer</b>				
Annual Remuneration	-	474 000	-	474 000
Performance- and other bonuses	-	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	63 450	-	63 450
Contributions to UIF, Medical and Pension Funds	-	39 726	-	39 726
<b>Total</b>	<b>-</b>	<b>577 176</b>	<b>-</b>	<b>577 176</b>
<b>Remuneration of Individual Executive Directors</b>	<b>Corporate Services</b>	<b>Community Services</b>	<b>Corporate Services</b>	<b>Community Services</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2012</b>				
Annual Remuneration	672 366	569 933	672 366	569 933
Performance- and other bonuses	90 872	90 872	90 872	90 872
Travel, motor car, accommodation, subsistence and other allowances	99 411	282 102	99 411	282 102
Contributions to UIF, Medical and Pension Funds	-	-	-	-
<b>Total</b>	<b>862 649</b>	<b>942 907</b>	<b>862 649</b>	<b>942 907</b>
	<b>Corporate Services</b>	<b>Community Services</b>	<b>Corporate Services</b>	<b>Community Services</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>2011</b>				
Annual Remuneration	580 754	548 303	580 754	548 303
Performance- and other bonuses	-	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	89 024	321 742	89 024	321 742
Contributions to UIF, Medical and Pension Funds	125 367	-	125 367	-
<b>Total</b>	<b>795 145</b>	<b>870 045</b>	<b>795 145</b>	<b>870 045</b>
<b>Chief Executive Officer - AX Gericke</b>	<b>2012'</b>	<b>2011'</b>		
Basic salary	491 212	452 976		
Travel allowance	168 000	144 000		
Cellphone allowance	10 200	10 200		
Annual performance bonus	66 941	-		
<b>TOTAL REMUNERATION</b>	<b>736 353</b>	<b>607 176</b>		
<b>Directors emoluments</b>				
For services as directors	<b>168 465</b>	<b>152 436</b>		



<b>30 GENERAL EXPENSES</b>				
Included in general expenses are the following:-				
Accounting Services	151 925	67 942		
Advertisement	419 004	217 970	406 500	77 651
Art & Culture	214 970	186 687	214 970	186 687
Audit Committee Fees	205 629	76 099	205 629	69 130
Bank Charges	351 276	308 026	342 968	308 026
Capex Expenditure		5 567		5 567
Computer and IT Expenses	4 359	8 638		
Burial Aid	5 500	20 692	5 500	20 692
Business Plans and Hand over	15 869	-	15 869	-
Civic Receptions	67 053		67 053	
Cleaning Services	121 891	30 345	121 891	22 547
Community Participation	485 010	32 919	485 010	32 919
Consulting Fees		139 876		
Conferences and Workshops	3 860	-	3 860	-
Disability	26 700	-	26 700	-
Entertainment and Receptions	304 841	4 530	304 841	1 030
Environmental Management Grant Expenditure		10 885		10 885
External Audit	2 567 995	2 130 751	2 438 481	1 862 113
Fuel & Oil	43 618	107 756	43 618	107 756
Hire of plant	248 932	-	248 932	-
HIV AIDS Intervention	405 833	-	405 833	-
IDP Roadshows	444 941	-	444 941	-
Insurances	2 862 104	38 435	2 844 977	23 400
Intergov Relations Implementation	-		-	
Internal Audit	956 539	775 445	956 539	775 445
Interview Expenses	29 752	22 030	29 752	22 030
LED Fund	139 297		139 297	
Legal Fees	566 202	1 279 945	566 202	1 271 277
Levies/ Membership Fees	10 500	6 160	10 500	6 160
Licences	176 135	184 206	176 135	184 206
Maintanance Buildings	-	-	-	-
Meyoral Desretionary	48 182	158 000	48 182	158 000
Medical Examinations		1 400		1 400
MPRA INCOME- Land Rates	121 845		121 845	
Old Age Pensioners	121 367	335 711	121 367	335 711
Operation Turn around	881 706		881 706	
Postal Services	7 763	6 721	7 763	2 506
Printing & Stationery	327 763	131 318	293 648	109 077
Provision for Non Payment	38 231 905	-	38 231 905	-
Publicity	156 450		156 450	
Purchase of books/Internet	6 383	1 911	6 383	1 911
Shared Services	-		-	
Small Tools	10 766	3 065	10 766	3 065
Rentals	17 590	77 450		59 655
Security	11 749	40 589		
Sports DC27	1 025 256	878 562	1 025 256	878 562
Strategic Support	-	18 388	-	18 388
Subscriptions-Other	77 058	78 678		
Software Subscriptions	5 489	-		
System Support Services	254 401	184 184	254 401	184 184
Team Building	16 000		16 000	
Telephone	955 331	1 473 198	818 810	1 392 409
Tourism Information Centres	-	200	-	200
Training	195 846	73 830	195 846	73 830
Travel & Accommodation	224 944	91 960		
Uniforms	186 750	119 712	186 750	119 712
Water Analysis	246 300	-	246 300	-
Women Celebration	-	-	-	-
WSDP Expenditure	0		0	
Youth Celebration	10 000		10 000	
Content Costs - Umhlosinga Development Agency	987 386	858 701		
Valuation Fees		1 555		1 555
Grant Transfer - UMHLOSINGA DEVELOPMENT		150 000		150 000
Other	13 878			
	<b>54 971 843</b>	<b>10 340 036</b>	<b>53 139 376</b>	<b>8 477 685</b>

<b>31 CASH GENERATED BY OPERATIONS</b>				
Surplus/(deficit) for the year	240 158 926	107 844 019	240 406 284	106 617 321
Adjustment for:-				
Depreciation and amortisation	47 673 058	28 353	47 604 949	-
Prior Year Adjustment	-	1 098 923	-	1 098 923
Contribution to provisions - non-current	-		-	
Contribution to provisions - current				
Finance costs	-	-	-	-
Fair value adjustments	-	-	-	-
Impairment loss / (reversal of impairment loss)	-	-	-	-
Other non-cash item				
Operating surplus before working capital changes:	<b>287 831 984</b>	<b>108 971 295</b>	<b>288 011 233</b>	<b>107 716 244</b>
(Increase)/ decreaseTrade and other receivables	5 049 343	(26 589 998)	5 849 343	(26 589 998)
(Increase)/ decreaseOther receivables	3 528 906	(6 106 099)	3 528 906	(6 106 099)
(Increase)/ decrease Other current financial assets	-		-	
(Increase)/ decrease in Inventories	-	288 551	-	288 551
(Increase)/ decrease Investments	(1 604 654)		(1 604 654)	
(Increase)/ decrease VAT receivable	(18 461 338)		(18 461 338)	
Increase/ (decrease) in Trade and other payables	6 782 776	(6 525 508)	5 719 888	(6 175 878)
Increase/ (decrease) Consumer deposits	107 399	75 591	107 399	75 591
Increase/ (decrease)VAT payable	(1 743 545)	1 743 545	(1 743 545)	1 743 545
Increase/ (decrease) Current provisions	3 109 920		3 109 920	
		81 246 601		81 246 601
Increase/ (decrease) Current portion of unspent conditional grants and receipts	(33 442 283)		(33 442 283)	
Increase/ (decrease) Current portion of borrowings				
Increase/ (decrease) Other current financial liabilities	2 293 981	2 969 196	2 293 981	2 969 196
Increase/ (decrease) Non-current borrowings				
	<b>253 452 488</b>	<b>156 073 174</b>	<b>253 368 849</b>	<b>155 167 753</b>
<b>32 CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Bank balances and cash	78 224 580	6 245 587	77 503 971	5 297 873
Bank overdrafts	-	-	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>78 224 580</b>	<b>6 245 587</b>	<b>77 503 971</b>	<b>5 297 873</b>

<b>33 CHANGE IN ACCOUNTING POLICY</b>				
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:				
<b>34 CORRECTION OF ERROR</b>				
During the year ended 30 June 2011 and previous years, assets and liabilities were incorrectly recognised: -				
The comparative amount has been restated as follows:				
Property rates	-	963 145	-	963 145
Bulk water purchases	-	3 322 924	-	3 322 924
Repairs and maintenance	-	53 703	-	53 703
Interest expenses	-	87 698	-	87 698
Security services	-	32 754	-	32 754
Contracted services	-	(609 707)	-	(609 707)
Water Sales	-	(1 244 936)	-	(1 244 936)
Advertising	-	320	-	320
Internal Audit	-	96 606	-	96 606
Printing and stationery	-	4 050	-	4 050
Interview expenses	-	1 084	-	1 084
Electricity Connections	-	90 008	-	90 008
Net effect on surplus/(deficit) for the year	-	2 797 648	-	2 797 648
Councillors and staff	-	(47 450)	-	(47 450)
Property rates debtors	-	(2 051 714)	-	(2 051 714)
Other receivables	-	1 419 228	-	1 419 228
Trade and other payables	-	(5 842 385)	-	(5 842 385)
Vat control	-	790 196	-	790 196
Finance Leases	-	671 572	-	671 572
Capital Work in Progress	-	107 479	-	107 479
Retentions	-	250 000	-	250 000
Deposits	-	600	-	600
Staff loans repayments misallocated				
Property rates incorrectly raised				
Water sales not accounted for in the prior year				
Expenses not accrued for in the previous financial period				
VAT on accruals not accounted for in the previous year				
Lease repayments and finance charges not accounted for				
Capital expenditure not accounted in the previous year				
Retentions released and not accounted for in the prior year.				
Deposits refunded to debtors in prior year and not accounted				
Net effect on Statement of Financial Position	-	(4 702 474)	-	(4 702 474)
Net effect on Accumulated surplus opening balance	-	(1 904 826)	-	(1 904 826)
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL</b>				
<b>35 EXPENDITURE DISALLOWED</b>				
<b>35.1 Unauthorised expenditure</b>				
Reconciliation of unauthorised expenditure				
Opening balance				
Unauthorised expenditure current year	30 226 255		30 226 255	
Approved by Council or condoned				
Transfer to receivables for recovery				
Unauthorised expenditure awaiting authorisation	30 226 255	-	30 226 255	-
<b>Incident</b>				
<b>Disciplinary steps/criminal proceedings</b>				
<i>Unbudgeted expenditure</i>				
<i>Disciplinary hearing held on xxx</i>				
<b>35.2 Fruitless and wasteful expenditure</b>				
Reconciliation of fruitless and wasteful expenditure				
Opening balance -	1 086 000	1 086 000	1 086 000	1 086 000
Fruitless and wasteful expenditure current year	228 699			
Condoned or written off by Council				
To be recovered – contingent asset (see note 55)			170 407	
Fruitless and wasteful expenditure awaiting condonement	1 314 699	1 086 000	1 256 407	1 086 000
<b>Incident</b>				
<b>Disciplinary steps/criminal proceedings</b>				
VAT penalty				
Disciplinary hearing on xxx				

<b>35.3 Irregular expenditure</b>				
Reconciliation of irregular expenditure				
Opening balance		3 236 000		3 236 000
Irregular expenditure e current year		25 728 555		25 727 160
Condoned or written off by Council				
Transfer to receivables for recovery – not condoned		2 185 254	3 236 000	2 185 254
Irregular expenditure awaiting condonement		<b>31 149 809</b>	<b>3 236 000</b>	<b>31 148 414</b>
				<b>3 236 000</b>
<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>			
<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>			



<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>				
<b>36 MANAGEMENT ACT</b>				
<b>36.1 Audit fees</b>				
Opening balance	-	-	-	-
Current year audit fee	2 573 719	2 034 145	2 573 719	2 034 145
Amount paid - current year	(2 397 627)	(2 034 145)	(2 397 627)	(2 034 145)
Amount paid - previous years				
<b>Balance unpaid (included in payables)</b>	<b>46 578</b>	<b>-</b>	<b>46 578</b>	<b>-</b>
<b>Pension</b>				
Opening balance	-	-	-	-
Current year audit fee	4 281 261	4 614 550	4 281 261	4 614 550
Amount paid - current year	(4 281 261)	(4 614 550)	(4 281 261)	(4 614 550)
Amount paid - previous years				
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Medical Aid</b>				
Opening balance	-	-	-	-
Current year audit fee	2 050 424	1 986 087	1 897 731	1 830 079
Amount paid - current year	(2 050 424)	(1 986 087)	(1 897 731)	(1 830 079)
Amount paid - previous years				
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAYE</b>				
Opening balance	-	-	-	-
Current year audit fee	8 129 075	7 800 522	7 762 132	7 515 472
Amount paid - current year	(8 129 075)	(7 800 522)	(7 762 132)	(7 515 472)
Amount paid - previous years				
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>UIF</b>				
Opening balance	-	-	-	-
Current year audit fee	313 011	15 369	295 012	315 879
Amount paid - current year	(313 011)	(15 369)	(295 012)	(315 879)
Amount paid - previous years				
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>36.2 VAT</b>				
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.				
<b>36.3 Councillor's arrear consumer accounts</b>				
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
There are councillors that have arrear consumer accounts. The municipality is however in a process of cleaning customer data and the billing system. Therefore the amount owned are not accurate				

<b>Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>				
<b>36.4 Act</b>				
The Municipality has not developed a supply chain management policy due to (reason)				
<b>37 CAPITAL COMMITMENTS</b>				
<b>37.1 Commitments in respect of capital expenditure</b>				
<b>- Approved and contracted for</b>	<b>191 206 923</b>	<b>147 541 749</b>	<b>191 206 923</b>	<b>147 541 749</b>
Infrastructure	191 206 923	147 541 749	191 206 923	147 541 749
Community				
Heritage				
Other				
<b>- Approved but not yet contracted for</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Infrastructure				
Community				
Heritage				
Other				
<b>Total</b>	<b>191 206 923</b>	<b>147 541 749</b>	<b>191 206 923</b>	<b>147 541 749</b>
This expenditure will be financed from:				
- External Loans				
- Government Grants (MIG)	191 206 923	147 541 749	191 206 923	147 541 749
- Own resources				
- District Council Grants				
	<b>191 206 923</b>	<b>147 541 749</b>	<b>191 206 923</b>	<b>147 541 749</b>
<b>38.2 Operating leases</b>				
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:				
<b>Operating leases - lessee</b>				
Within one year	146 415		146 415	
In the second to fifth year inclusive	624 175		624 175	
After five years				
<b>Total</b>	<b>770 591</b>	<b>-</b>	<b>770 591</b>	<b>-</b>
Total future minimum sublease payment expected to be received under non-cancellable sublease				
Operating Leases consists of the following:				
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable / Contingent rent is payable based on x% of the municipality's sales.				

<b>38 RETIREMENT BENEFIT INFORMATION</b>			
<b>39.1 Defined contribution plan</b>			
The municipality contribute to the Municipal Joint Pension fund. These contributions have been expensed amounted to			
<b>39 CONTINGENT LIABILITY</b>			
<b>40.1 Claim for non Payment on Services Rendered</b>			3 383 759
The Municipality is being sued by service providers Sandu Civils and Price Waterhouse Coopers) for non payment on Services Rendered			
<b>40.2 Claim on Insurance Excess</b>			154 672
The municipaity is due for an excess amount of R154 672 on the municipal building that was destroyed during the fire accident			
<b>41 RELATED PARTIES</b>			
Subsidiary (100% Ownership)			Umhlosinga Development agency is
<b>Related party transactions</b>			
Included in General Expenditure is the following expences			
Telephone Costs			101 701
Included in Salaries and wages are costs relating to staff secondment			443 660
<b>42 EVENTS AFTER THE REPORTING DATE</b>			
There were no adjusting and non adjusting events that occurred after the reporting date.			
<b>43 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>			
The following areas involve a significant degree of estimation uncertainty:			
Useful lives and residual values of property, plant, and equipment			
Recoverable amounts of property, plant and equipment			
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)			
Present value of defined benefit obligation			
Fair value of plan assets			
Provision for doubtful debts			
Impairment of assets			
Provision for long-term service award			
Other			
The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:			
Impairment of assets			
Provisions			
Other			
<b>44 RISK MANAGEMENT</b>			
<b>44.1 Maximum credit risk exposure</b>			
The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. The investments are diversified among the reputable commercial banks.			
The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.			

<b>44.2 Liquidity risk</b>					
	Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.				
<b>44.3 Interest rate risk</b>					
	The municipality's interest rate risk arises from long-term borrowings from DBSA.				
	At year end, financial instruments exposed to interest rate risk were as follows:				
	- Call deposits				
	- Notice deposits				
	- Development Bank of South Africa loan				
	- ABSA overdraft				
<b>45 COMPARISON WITH THE BUDGET</b>					
	The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)				
<b>46 EXCEPTIONAL ITEMS</b>					
<b>46.1 Incidence of fire</b>					
	On the 02 February 2012, the incidence of fire occurred in the municipality which resulted in the entire offices of finance department burnt down. The damage has been claimed from the insurance.				
<b>46.2 Water Losses</b>					
	The municipality incurred 89,90% water losses for the 2011/12 financial year. The value of the losses incurred amounted to <b>R 5,362,560</b>				
<b>47 MATERIAL NON COMPLIANCE WITH MFMA AND GRAP STANDARDS</b>					
<b>47.1 Source documents supporting the figures disclosed on the Annual Financial Statements</b>					
	Due to the fire incidence on the 02 February 2012, the Annual Financial Statements submitted for audit lacks the supporting documentation as the payments vouchers, Bids Committee minutes of approximately R51million and the journals were destroyed by fire.				
	This is likely to cause limitation of scope to Auditor-General. The status was tabled before Council on 28 August 2012 and resolved to apply for the condonation in terms of section 170 of the MFMA to National Treasury via Provincial Treasury as a delegated municipality.				
<b>47.2 Asset Management (i.e. GRAP 17)</b>					
	The municipality has not complied with GRAP 17 in respect of Property, Plant and Equipment. This is due to the inadequacy of the Fixed Asset Register. However the municipality is in a process of compiling GRAP Compliant Asset Register which include among other things: Unbundling, componentisation of Infrastructural Assets, updating of prior year movements, reconciliation of Fixed Asset Register to General Ledger, testing of impairment for assets etc. The similar issues were raised by Auditor-General in the prior year.				
<b>47.3 Non compliance with Supply Chain Management Processes</b>					
	The municipality has not complied with Chapter 11 of the MFMA which refers to the procurement of Goods and Services. The non compliance included among other things the following: Non compliance with SCM policy and Regulation, Lack of contract management practices etc.				

## **CHAPTER 6: AUDITOR GENERAL'S AUDIT FINDINGS**

# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMKHANYAKUDE DISTRICT MUNICIPALITY

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Introduction

1. I was engaged to audit the consolidated and separate financial statements of the Umkhayakude District Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ....

### Accounting officer's responsibility for the consolidated financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate 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 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 consolidated and separate 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 consolidated and separate financial statements based on conducting the 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. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer of opinion

#### Property, plant and equipment

4. The municipality did not assess impairment of non-cash-generating assets at each reporting date in accordance with SA Standards of GRAP, GRAP 21, *Impairment of non-cash-generating assets*. Contrary to the above the recoverable amount was not estimated for all the assets that were damaged at year end. Because of the nature of these assets, it was impracticable to confirm or verify by alternative means the correct value of the non-cash-generating assets. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of property, plant and equipment.

5. The municipality did not account separately for Land and Building in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the presentation and disclosure of property, plant and equipment.
6. The municipality did not allocate the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part at each reporting date in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. Because of the nature of these assets, it was impracticable to confirm or verify by alternative means the correct value of the property, plant and equipment. Furthermore the municipality did not calculate and disclose the prior year depreciation. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of property, plant and equipment.
7. The municipality did not review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment*. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of property, plant and equipment.
8. I was unable to physically verify assets to the value of R646,812 million during the audit. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that Property, plant and equipment existed at year end. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself to the existence of Property, plant and equipment.
9. The municipality could not provide sufficient appropriate audit evidence to support additions to Property, plant and equipment to the value of R1,323 million. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that additions had been properly recorded.
10. The municipality did not reconcile a difference of R39,438 million between the financial statements and the underlying accounting records in accordance with SA Standards of GRAP, GRAP 17, *Property, Plant and Equipment*. A difference of R39,438 million exists between fixed asset register and the financial statements. The municipality did not reconcile this difference between the financial statements and the underlying accounting records. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that property, plant and equipment had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of property, plant and equipment.

#### **Accumulated surplus**

11. The municipality could not provide sufficient appropriate audit evidence to support prior years' expenses that affected the accumulated surplus of R9,593 million. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that prior years' expenses of R9,593 million had been properly recorded. Consequently I did not obtain sufficient appropriate evidence to satisfy myself as to valuation and completeness of the balance of accumulated surplus.

### **Unspent conditional grants**

12. A material difference exists between the grant register and the financial statements. The municipality did not reconcile this difference between the financial statements and the underlying accounting records. Furthermore the municipality could not provide sufficient appropriate audit evidence to support debit balances for the Municipal Infrastructure Grants amounting to R5,415 million that is included in the notes of prior year financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that grants had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of unspent conditional grants.

### **Accounts receivables**

13. A material and pervasive difference exists between the debtors' age analysis and the financial statements. The municipality did not reconcile this difference between the financial statements and the underlying accounting records. Furthermore the municipality could not provide sufficient appropriate evidence supporting the existence of debtors totaling R5,727 million included in the prior year financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that accounts receivables had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and completeness accounts receivables balance.

### **Trade and other payables**

14. The municipality could not provide sufficient appropriate evidence to support journals processed on the accruals account amounting to R8,043 million in the current year. Furthermore the municipality not provide sufficient appropriate audit evidence to support credit balances for trade creditors amounting to R16,983 million that is included in the prior year financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity of these journals. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and completeness of the balance of trade creditors.

### **Employee related costs**

15. A difference of R13,858 million exists between the payroll records and the financial statements. The municipality did not reconcile this difference between the financial statements and the underlying accounting records. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that employee related costs had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of employee related costs.



16. The municipality could not provide evidence supporting the appointment and terminations of employees. There was no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that employee related costs had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of employee related costs.

#### **Remuneration of councillors**

17. A difference of R2,699 million exists between the payroll records and the financial statements. The municipality did not reconcile this difference between the financial statements and the underlying accounting records. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that remuneration of councillors had been accounted for properly. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of remuneration of councillors.

#### **Capital Commitments**

18. The municipality could not provide a break-down to support an amount of R191,206 million relating to capital commitments disclosed in note 37 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity and completeness of capital commitments. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity and completeness of the amount disclosed as capital commitments.

#### **Unauthorised expenditure**

19. The municipality could not provide a break-down to support an amount of R30,226 million relating to unauthorized expenditure disclosed in note 35.1 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity and completeness of unauthorized expenditure. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity and completeness of the amount disclosed as unauthorized expenditure.

#### **Fruitless and wasteful expenditure.**

20. The municipality could not provide a break-down to support an amount of R1,256 million relating to fruitless and wasteful expenditure included in note 35.2 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity and completeness of fruitless and wasteful expenditure. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity and completeness of the amount disclosed as fruitless and wasteful expenditure.

### **Irregular expenditure.**

21. The municipality could not provide a break-down to support an amount of R5,421 million relating to irregular expenditure included in note 35.3 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity and completeness of irregular expenditure. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity and completeness of the amount disclosed as fruitless and irregular expenditure.
22. Section 125 (2) (d) requires that any particulars of material irregular expenditure to be disclosed in the note 35.3 to the financial statements. The municipality did not design and implement controls to detect irregular expenditure. During the audit of expenditure amounting to R19,507 million was discovered to have been made in contravention of Municipal Supply Chain Management regulations, the municipality subsequently disclosed these payments but did not go back and examine the whole population. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of irregular expenditure as disclosed.

### **Investments**

23. The municipality could not provide sufficient appropriate audit evidence to support a journal processed on the investments account amounting to R110,000 million in the current year. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on validity of this journal. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of the journal processed.

### **Expenditure**

24. The municipality could not provide sufficient appropriate audit evidence to support expenditure items amounting to R20,691 million incurred in the current year. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that expenditure had been accounted for properly. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence and accuracy of expenditure amount disclosed.

### **Limitation of scope**

25. I was unable to confirm the journals and payments made amounting to R563,349 million and R51,076 million respectively. I could not perform alternative procedures because the supporting documents were destroyed by fire. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy and completeness of the journals and payments made.

### **VAT Receivable**

26. Because of the limitation experiences in the expenditure testing, sufficient appropriate audit evidence could not be obtained as to the valuation and completeness of the VAT receivables as disclosed in the financial statements.

### **Material losses**

27. I was unable to obtain sufficient appropriate audit evidence for the R5,362 million disclosed as water losses in note 46.2 to the financial statements. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance on accuracy and completeness of water losses. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy and completeness of material losses as disclosed.

### **Cash flow statement**

28. Because of the significance of limitation experienced as detailed above, sufficient appropriate audit evidence could not be obtained as to the accuracy and completeness of the cash flow statement as presented.

### **Disclaimer of opinion**

29. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Emphasis of matter**

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

#### **Restatement of corresponding figures**

31. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 30 June 2012 in the financial statements of the Umkhanyakude District Municipality at, and for the year ended, 30 June 2011.

#### **Additional matter**

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

#### **Unaudited supplementary schedules**

33. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

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

34. 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**

35. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
36. 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 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 objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

37. The material findings are as follows:

### **Usefulness of information**

#### **Presentation**

38. Section 46 of the Municipal Systems Act requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for all measures taken to improve performance as disclosed in the annual performance report. The municipality records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the measures taken to improve performance.

#### **Consistency**

39. The Municipal Systems Act No. 32 of 2000 (MSA), section 41(c) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. The reported targets as included in the service delivery budget implementation plan (SDBIP) or annual performance report submitted for auditing are not consistent with the targets as per the approved integrated development plan. All planned targets specified in the annual performance report were not included in the integrated development plan. This was due to a lack of understanding by business units and inadequate training to enable application of the principles of the Municipal Planning and Performance Management Regulations, 2001.

### **Reliability of information**

40. I was unable to obtain sufficient, appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the actual performance reported in the annual performance report. This was due to a lack of a document management system.

### **Additional matter**

41. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

#### **Achievement of planned targets**

42. Of the total number of planned targets, only 34 were achieved during the year under review. This represents 39% of total planned targets that were not achieved during the year under review.
43. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

### **Compliance with laws and regulations**

44. 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**

45. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer of opinion.

#### **Procurement and contract management**

46. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1).

#### **Expenditure management**

47. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
48. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and/or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

#### **Asset management**

49. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the Municipal Finance Management Act.

### **Internal control**

50. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

51. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance with laws and regulations relating to asset management and procurement and contract management.

### **Financial and performance management**

52. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial; performance and compliance reporting. In this regard, the accounting officer did not ensure that regular, accurate and complete financial and performance reports were prepared, which were supported and evidenced by reliable information. This resulted in material corrections in financial statements.

### **Governance**

53. The audit committee did not function throughout the year. Members were only appointed four months before year-end.

## OTHER REPORTS

### Investigations in progress

54. Five investigations are being conducted by independent consulting firms on request of the municipality. The investigations were initiated based on the allegations of mal-administration. During the process of these investigations criminal proceedings were instituted against one employee. These investigations were still ongoing at the reporting date.

Pietermaritzburg

13 December 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**ANNEXURE 1: CONSOLIDATED ANNUAL PERFORMANCE REPORT – 2011/2012**



UMKHANYAKUDE DISTRICT MUNICIPALITY																	
CONSOLIDATED PERFORMANCE REPORT - 2011/2012																	
CONSOLIDATED ORGANISATIONAL SCORECARD		YEAR OF THE IDP					FINANCIAL YEAR ENDED : 30 JUNE 2012										
KPA	STRATEGIC OBJECTIVE	OUTPUT	NO.	KEY PERFORMANCE INDICATOR	TARGET	UNIT OF MEASURE/ CALCULATIONS	ANNUAL			2010-2011		2011-2012		BUDGET	BLOCKAGES	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
							DEMAND (119353HH4)	BASELINE	BACKLOG	ANNUAL		ANNUAL					
										PROJECTED	ACTUAL	PROJECTED	ACTUAL				
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT (1)	To provide effective and efficient Human Resources Management Services aimed at achieving a skilled workforce that is responsive to change.	Review of organogram	1	Number (as well as percentage) of critical posts filled	23 by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	23	7	R 0.00	Poor cash flow hampered the filling of vacant posts	Vacant posts to be budgeted for in 2012/2013 FY	Corporate Services Report
				Percentage of posts filled	100% by 30 June 2012	Percentage	N/A	N/A	N/A	No Data	No Data	100%	30%	N/A			
		Implement the Work Place Skills Plan	6	Budget spent on Work Skills Plan	100% by 30 June 2012	Budgeted amount	N/A	N/A	N/A	No Data	No Data	R 850 000.00	R 152 080.00	R 850 000.00	Poor cash flow resulted in underexpenditure	A new plan will be prepared and implemented during 12/13 FY	WSP
		Develop HR Strategy	4.1.1	Council adopted Human Resources Strategy by 30 June 2012	Adopted strategy by 30 June 2012	Date	N/A	N/A	N/A	N/A	N/A	30-Jun-12	Draft Available	R 0.00	Final product not yet submitted by the Consultant	Consultant to be persuaded to submit the final document	Draft HR Strategy
	Implement Employment Equity Plan	4.1.4	Number of people from employment equity target groups employed in the three highest levels of management	3 by 30 June 2012	Number	N/A	N/A	N/A	3	0	3	0	R 0.00	EE Plan not yet finalised	Plan to be finalised not later than Dec 2012	None	
	To ensure organizational performance accountability to the community and other stakeholders at large	Implementation of Performance Contracts	5	Number of performance agreements signed reflecting national government priorities	6 by Sep 2011	Number of signed performance agreements	N/A	N/A	N/A	6	4	6	3	R 0.00	Process of advertising vacant posts (MM, CFO & Community services) got delayed.	Vacant posts to be advertised during 12/13 FY	Signed performance agreements
	To ensure effective committee support	Committee Meetings held	4.6.1	Number of Portfolio Committees coordinated by 30 June 2012	55 by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	55	28	R 0.00	49 % of meetings did not sit as a result of late establishment of committees (September 2011), no quorums and endless postponements	Most issues were discussed at Special ExCo meetings which sat 23 times and Special Council meetings which sat 12 times	Attendance registers
	4.6.2		Number of EXCO meetings held by 30 June 2012	11 by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	11	24	R 0.00	None	None		
	4.6.3		Number of Council meetings held by 30 June 2012	4 by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	4	14	R 0.00	None	None		
	To prepare a credible Strategic Plan	Strategic Plan	UMDA1	Investment Coordination and Facilitation	Develop process plan by 30 August 2011	Date	N/A	N/A	N/A	No Data	No Data	Review & Adopt process Plan	Achieved	R 0.00	None	None	Adoption of the final draft Strategic Plan by Board & Council by 31 May 2012
Address Institutional arrangement of UMDA in Line with Corridor based Economy	Organisational Structure	UMDA2	Number of vacant posts filled within 3 months after the approval of the organogram	Organogram In Place and Aligned with Budget by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	Approval of Organogram and Institutional Profile	Achieved	R 0.00	None	None	Organogram and Institutional Arrangement were implemented	

KPA	STRATEGIC OBJECTIVE	OUTPUT	NO.	KEY PERFORMANCE INDICATOR	TARGET	UNIT OF MEASURE/ CALCULATIONS	ANNUAL			2010-2011		2011-2012		BUDGET	BLOCKAGES	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
							DEMAND (11533HHs)	BASELINE	BACKLOG	ANNUAL		ANNUAL					
										PROJECTED	ACTUAL	PROJECTED	ACTUAL				
BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT (B)	To improve access to quality, affordable and reliable municipal services (e.g., water, sanitation, electricity, refuse removal, transportation), and to provide free basic service	Installation of new electricity connections	2.1.3	Number of households connected with electricity	300 households (0.6% of service delivery backlog) connected by 30 June 2012	Number	54 907	6 589	48 318	3 000	0	300	0	R 6 000 000.00	The project got stalled as it was not included in the Mhlabisa LfS IP	This project has been budgeted for during 12/13 FY	None
		Installation of new water connections to households	2.1.2	Number of households connected with water facilities	1 500 households (8% of service delivery backlog) connected by 30 June 2012	Number	54 907	34 866	20 041	5958	5958	1 500	1 275	R 216 496 391.00	About 12% of MIG funding could not be spent and as such it is estimated that the target was missed by 15%	During 12/13 FY, unspent fund was committed on buying pipes	MIG reports
		Installation of new sanitation connections	2.1.4	Number of households connected with sanitation facilities	1 500 households (8% of service delivery backlog) connected by 30 June 2012	Number	54 907	36 019	18 888	10600	10600	1 500	1 275		About 12% of MIG funding could not be spent and as such it is estimated that the target was missed by 15%	During 12/13 FY, unspent fund was committed on buying pipes	MIG reports
		Provision of free basic services (54% of households)	2.1.5	Number of households with access to free basic water	1 750 households (7% of service delivery backlog) provided free basic water by 30 June 2012	Number	64 456	40 930	23 526	2702	2702	1 750	1 488		About 12% of MIG funding could not be spent and as such it is estimated that the target was missed by 15%	During 12/13 FY, unspent fund was committed on buying pipes	MIG reports
			2.1.6	Number of households with access to free basic electricity	700 households (1% of service delivery backlog) provided free basic electricity by 30 June 2012	Number	64456	7735	56721	2500	0	700	0		The project got stalled as it was not included in the Mhlabisa LfS IP	This project has been budgeted for during 12/13 FY	None
			2.1.7	Number of households with access to free basic sanitation	1750 households (8% of service delivery backlog) provided free basic sanitation by 30 June 2012	Number	64456	42 283	22173	7745	7745	1750	1 488		About 12% of MIG funding could not be spent and as such it is estimated that the target was missed by 15%	During 12/13 FY, unspent fund was committed on buying pipes	MIG reports
		2.1.8	Conduct monthly water quality tests	Number of reports submitted to the ExCo	12 water quality reports submitted to ExCo by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	12	12		WAS contract	None	None
	2.1.9	Conduct monthly sanitation effluent quality tests	Number of sanitation effluent quality reports submitted to the ExCo	12 sanitation effluent quality reports submitted to ExCo by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	12	12	WSA contract		None	None	WSA Reports
	Regular investment in infrastructure in order to improve on operations and maintenance	Implementation of Operations and Maintenance Plan	2.2.1	Number of schemes rehabilitated	10 schemes rehabilitated (2 per LM) to O&M Plan by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	10	21	R 0.00	None	None	Report on rehabilitated schemes

KPA	STRATEGIC OBJECTIVE	OUTPUT	NO.	KEY PERFORMANCE INDICATOR	TARGET	UNIT OF MEASURE/ CALCULATIONS	ANNUAL			2010-2011		2011-2012		BUDGET	BLOCKAGES	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
							DEMAND (11533RHs)	BASELINE	BACKLOG	ANNUAL		ANNUAL					
										PROJECTED	ACTUAL	PROJECTED	ACTUAL				
LOCAL ECONOMIC DEVELOPMENT (10)	Thriving to create a growing local economy and sustainable neighborhoods	Finalization of the feasibility study of Route 22 (Cultural and Tourism Route)	3.1.1	Feasibility report submitted and discussed at SED portfolio committee meeting	Feasibility report submitted and discussed at SED portfolio committee meeting by 31 August 2011	Feasibility Report	N/A	N/A	N/A	No Data	No Data	Report Submitted	Achieved	R 0.00	None	None	Feasibility report
		Compilation of report of the wind energy study	3.1.2	Wind energy study report submitted and discussed at SED portfolio committee meeting	Wind energy study report submitted and discussed at SED portfolio committee meeting by 31 October 2011	Study Report	N/A	N/A	N/A	No Data	No Data	Report Submitted	Not Achieved	R 0.00	The Project got stuck in the SCM Unit	Project to be re-advertised	SCM Report
	Facilitation of job creation and access to business opportunities	Address poverty alleviation through the Expanded Public Works/Capital Programme	3.3.2	Number of Jobs created through the municipality's Capital Projects	300 jobs created through Capital Projects by 30 June 2012	Number and Date	N/A	N/A	N/A	No Data	No Data	300	300	R 0.00	None	None	Report on capital Projects
	Profile the Economic Development and Planning Implications of Vision 2030 towards Investment	Strategic Plan		New District Strategy and Vision	Complete Scoping and Feasibility of the Economic and Planning Need of the district Strategy VISION 2030 by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Not Achieved	R 0.00	SCM processes for DC 27 were slow	UMDA to be involved as well in the process	SCM Report
		Business Plan		Route 22 established and signage application made	Signage, Marketing Website Strategy, Website, Outsource Business Activity in place by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Achieved	R 0.00	None	None	MANCO Report
		Business Plan		Business Plan in Place, Operations in Place, Property Development Procurement Done By DC27	Establish General Aviation Operations, Finalise Development ROD, and Design Plans by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Achieved	R 0.00	None	None	MANCO Report
		MoA		Firm Office in Place	Establish Firm Office in one of the Driver Offices, Appoint Manager by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Not Achieved	R 0.00	Participation of Zululand and uThungulu DMs complicated the process	Target to be reviewed	MANCO Report
		Business Plan		Nursery in Place, Branding registered MOU with Mjndi Farming	Farmers Market and Marketing Branding finalised by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Achieved	R 0.00	None	None	MANCO Report
					Have one Agricultural Catalyst Project in place by 30 June 2012	Date	N/A	N/A	N/A	No Data	No Data	30-Jun-12	Achieved	R 0.00	None	None	MANCO Report
	GOOD GOVERNANCE AND COMMUNITY PARTICIPATION (6)	Established feedback mechanisms in order to ensure responsiveness to communities	Staging of IDP/Budget Consultative meetings	1.2.2	Number of IDP/Budget consultative meetings held	5 IDP/Budget consultative meetings (1 per LM) by 31 May 2012 held	Number and Date	N/A	N/A	N/A	5	4	5	5	R 212 000.00	None	None
Effective intergovernmental relations		Attend to Municipal Managers' forum meetings	1.3.1	Number of MMs forum meetings held	4 meetings held by 30 June 2012	Number	N/A	N/A	N/A	4	2	4	2	R 0.00	Scheduled of meetings not observed	Scheduled dates will be adhered to	Attendance register
		Attend to District Mayor's forum meetings	1.3.2	Number of Mayors' Forum meetings held	4 meetings held by 30 June 2012	Number	N/A	N/A	N/A	4	2	4	2	R 0.00	Scheduled of meetings not observed	Scheduled dates will be adhered to	Attendance register
		Establishment of IGR Forums	1.3.3	Number of Terms of reference for forums developed	Terms of reference for 8 forums developed by 31 March 2012	Number and Date	N/A	N/A	N/A	No Data	No Data	8	8	R 917 000.00	Project started in Jan 2012 and will end in Dec 2012	In future, SCM to be started on time	SCM - letter of appointment for the Service Provider
To complete and submit accurate annual financial statements to AGSA on timely basis		Auditor-General Report	UMDA 9	Date of submission of AFS and adjustments requested by AGSA	Prepare and submit Annual Financial Statements by 31 August to Auditor General without any changes necessary	Date	N/A	N/A	N/A	31-Aug-10	31-Aug-11	31-Aug-11	31-Aug-11	R 0.00	None	None	AG Report
To clear all internal and external audit queries efficiently		Internal and External Audit Tracking document	UMDA 4	Percentage of audit queries cleared by Management	100%	Percentage	N/A	N/A	N/A	100%	No Data	100%	100%	R 0.00	None	None	AG Report

KPA	STRATEGIC OBJECTIVE	OUTPUT	NO.	KEY PERFORMANCE INDICATOR	TARGET	UNIT OF MEASURE/ CALCULATIONS	ANNUAL			2010-2011		2011-2012		BUDGET	BLOCKAGES	CORRECTIVE MEASURES	PORTFOLIO OF EVIDENCE
							DEMAND (1153/31Hh)	BASELINE	BACKLOG	ANNUAL		ANNUAL					
										PROJECTED	ACTUAL	PROJECTED	ACTUAL				
FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT (16)	Improved revenue and cash management capability	Efficient management of Outstanding Service Debtors to Service Revenue ratio	5.1.1	Ratio for outstanding Service Debtors to Service Revenue achieved	Outstanding Service Debtors to Service Revenue ratio to be less than 0.5 by 30 June 2012	Ratio: Outstanding service debtors divided by annual revenue actually received for services	N/A	N/A	N/A	>0.5	0.58	< 0.5	0.22	R 0.00	None	None	AFS
		Efficient management of Debt management Ratio	5.1.2	Ratio achieved for debt coverage	More than 1 ratio maintained throughout the 2011/2012 FY	Ratio: Total operating revenue received minus operating grants divided by debt service payments (ie. Interests plus amortisation)	N/A	N/A	N/A	1	1.64	>1	1.64	R 0.00	None	None	AFS
	Efficient expenditure Management	Percentage of a municipality's capital budget actually spent on capital projects identified in the IDP	5.3.1	Percentage of capital budget spent	100% of capital budget spent by 30 June 2012	Percentage	N/A	N/A	N/A	100%	30.84%	100%	88.90%	R 0.00	None	None	AFS
		Efficient management of Cost Coverage Ratio	5.3.2	Ratio for cost coverage achieved	More than 1 ratio maintained throughout the 2011/2012 FY	Ratio: Available cash plus investments divided by monthly fixed operating expenditure	N/A	N/A	N/A	1	1.64	>1	2.84	R 0.00	None	None	AFS
		Operating Budget expenditure monitoring and reconciling	5.3.3	Percentage of Salaries & Wages of Operating Budget achieved	Salaries & Wages to be not more than 35% of Operating Budget by 30 June 2012	Percentage	N/A	N/A	N/A	No Data	No Data	<35%	26%	R 0.00	None	None	AFS
			42	Actual operational expenditure as a percentage of budgeted amount	Not more than 100% of operational expenditure achieved by June 2012	Percentage	N/A	N/A	N/A	No Data	141%	No Data	55%	R 0.00	None	None	AFS
			43	Percentage spent of Operational Budget (OPEx) on repairs and maintenance of infrastructure	Not more than 100% achieved by June 2012	Percentage	N/A	N/A	N/A	No Data	0.24%	No Data	44%	R 0.00	None	None	AFS
	Sound Financial Planning and reporting	Preparation of budget in line with the IDP	5.4.1	Date of Council adopted Annual Budget	Council-approved Annual Budget by 31 May 2012	Date	N/A	N/A	N/A	30-Jun-10	30-Jun-10	31-May-11	19-Apr-11	R 0.00	None	None	Council Resolution
		Preparation of MFMA S72 report	5.4.2	Council-approved Mid-term/mid-year budget by 25 January 2012	Council-approved Mid-term/mid-year budget by 25 January 2012	Date	N/A	N/A	N/A	25-Jan-11	25-Jan-11	25-Jan-12	25-Jan-12	R 0.00	None	None	Council Resolution
		Preparation of Adjustment Budget	5.4.3	Council approved Adjustments budget by the 29 Feb 2012	Council approved Adjustments budget by the 29 Feb 2012	Date	N/A	N/A	N/A	29 Feb 2011	29 Feb 2011	29-Feb-12	29-Feb-12	R 0.00	None	None	Council Resolution
		Compilation of reports on MFMA SS2 (d) reports	5.4.6	Number of reports submitted to the Council on the implementation of budget and the state of affairs of the Municipality	4 reports submitted to the Council on the implementation of budget and the state of affairs of the Municipality by 30 June 2012	Number	N/A	N/A	N/A	No Data	No Data	4	0	R 0.00	The Office of the MM got stuck with other administrative matters and quarterly meetings did not sit	A new process plan has been developed which will address compliance issues	None
		Favourable AG opinion	5.4.7	Favourable AG report for 10/11 FY	AG report not below "Qualified Opinion" by 31 December 2011	AG Opinion	N/A	N/A	N/A	Qualified Opinion	Qualified Opinion	Qualified Opinion	Adverse Opinion	R 0.00	Poor response to address AG queries raised	Financial turnaround strategy has been developed to address AG queries	AG Report
	To complete and submit accurate annual financial statements and performance information.	Auditor-General Report		Qualified audit opinion	Clean Audit	Report	N/A	N/A	N/A	Qualified audit opinion	Qualified Audit Opinion	Clean Audit Opinion	Qualified Audit Opinion	R 0.00	None	None	AG Report
	To improve financial viability and sound financial management	Audit Committee meeting minutes		No. of Audit Committee meetings held	4	Number	N/A	N/A	N/A	4	4	4	4	R 0.00	None	None	MANCO Reports
	To ensure spending as per approved Budget	Finance reports		Actual expenditure is less than budget per vote	Funding in Place and Budget Approved	Report	N/A	N/A	N/A	Approved Budget	Achieved	Approved Budget	Achieved	R 0.00	None	None	
	Ensure compliance with s71 MFMA	Reports		Date reports submitted	12 monthly within 10 working days	Report	N/A	N/A	N/A	12	12	12	12	R 0.00	None	None	S 71 reports
SPATIAL PLANNING AND ENVIRONMENTAL MANAGEMENT (2)	To facilitate and coordinate the rendering of spatial planning services	Review of the District-wide Spatial Development Framework	6.1.1	A Council Approved Reviewed SDF	A Council Approved Reviewed SDF by 30 June 2012	Date	N/A	N/A	N/A	N/A	N/A	30-Jun-12	31-May-12	R 0.00	None	None	Council Resolution
	To facilitate and coordinate the rendering of effective Environmental planning and management services	Development and Adoption of the District-Wide Environmental Management Framework (EMF)	6.4.1	A Council approved EMF Plan	A Council approved EMF Plan by 30 June 2012	Date	N/A	N/A	N/A	N/A	N/A	30-Jun-12	Not Achieved	R 1 500 000.00	The project was started late	Project to be finalised on the 31 March 2013	Inception Report
SOCIAL DEVELOPMENT (3)	To improve the livelihoods of the poor, vulnerable groups and support initiatives to reduce vulnerability of infectious diseases, especially reduce the impact of HIV/AIDS on communities	Review HIV/AIDS strategy	7.1.1	Reviewed HIV/AIDS strategy	Reviewed HIV/AIDS strategy by 30 December 2011	Date	N/A	N/A	N/A	01-Dec-10	01-Dec-10	01-Dec-11	01-Dec-11	R 1 200 000.00	None	None	Reviewed strategy
	To ensure support and coordination of special programmes ( Gender, Women, Youth, elderly, children, people living with disability, sport recreation and Arts & Culture)	Coordination and staging of District Sports and Recreation initiatives.	7.2.1	Number of District Sports and Recreation initiatives conducted	2 of District Sports and Recreation initiatives conducted by 30 June 2012	Date	N/A	N/A	N/A	30-Jun-11	30-Jun-11	30-Jun-12	30-Jun-12	R 1 200 000.00	None	None	SALGA Games & Mayo's Cup
		Implement District, Provincial and National programmes for the aged	7.2.4	Number of District, Provincial and National programmes implemented for the aged	1 District, Provincial and National programmes implemented for the aged implemented by 30 June 2012	Date	N/A	N/A	N/A	30-Jun-11	30-Jun-11	30-Jun-12	30-Jun-12	R 100 000.00	None	None	Attendance Register
<b>Total</b>													<b>R 228 475 391.00</b>				

NAME OF OFFICIAL:  
SIGNATURE OF OFFICIAL:  
DESIGNATION OF OFFICIAL:  
DATE:

**ANNEXURE 2: ANNUAL REPORT FOR UMHLOSINGA DEVELOPMENT AGENCY –  
2011/2012**



308 Ebony Crescent, Mtubatuba, 3935  
P.O. Box 367, St. Lucia, 3936  
Tel: 035 550 3080  
Fax: 035 550 3088  
[www.umd.org.za](http://www.umd.org.za)



## 1. CHAIRMAN'S ANNUAL REPORT; By: Rev Dr H.A.S. Fakude

It gives me great pleasure to once more take this podium to render an account of the activities of Umhlosinga Development Agency; for the year 2011/12 under review.

### 1.1. NEW Share Holder

We have been working closely with the new Council in the district District under the table leadership of His Worship the Mayor-Cllr.S.J. Vilane. We are grateful for the closer ties with the new shareholder and believe the UMDA will only strengthen its position as the economic development arm of the district.

We are especially pleased that the Full budget for Operations and Human Resources was transferred at the end of financial year and that a inclusive Service Level Agreement was concluded.

We look forward to work together on the new Vision 2030 and the Planning Commission of the District we believe this is a vital tool to assist in fast tracking the Economic hopes of our people.

### 1.2. THE BOARD OF DIRECTORS

Continuity of service by the founding members of Board of Directors has ensures consistency and stable running of the affairs of the Agency. The team work; unity of purpose; dedication and tranquillity have always prevailed and we truly symbolised 5 brothers and a sister. The vacancy created by the resignation of Mr. Craig Rutherford Prof L, Mathenjwa remains outstandingly unoccupied; and onus is on the District in whose prerogative it is ;to make the appointment and preferably to be gender conscious. Had our Board deliberations forced a vote-we would have reached stalemates; save when the Chairperson is forced to cast a biased deliberate vote; but fortunately all our debates ended by amicable consensus.



### 1.3. MANAGEMENT AND STAFF

Mr. A.X. Gericke –Chief Executive Officer; affectionately known as Alroy holds the mainstream baton of the Agency with versatility, dedication, passion and proficiency. Through Alroy; we have become a role-model for other Agencies as well as those Municipalities wishing to establish their own entities for the first time..-the latest being the, Emadlangeni Local Municipality in the Utrecht area; which took place on the 24th November 2011..The CEO routinely reports to the Board through its Chairperson who is his Contract Employer; and we 2 maintain a very healthy working relationship worthy to be praised.. The Board reports to the Parent Body - the Mayor to be precise; through the Board Chairman. The CEO and I have decided that the Chairperson and Mayor will in future hold bi-monthly bilateral meetings to confer on relevant business matters. It is hoped that this undertaking will enhance effective communication and better understanding. The weekly reports from CEO assist us as Board to follow the daily activities of the UMDA.

The CEO's duties are complimented by an able Chief Operations Officer- Ms. Khosie Bhengu who has generously been seconded to us by the Parent Body from time if inception .This industrious hardworking go-getter is dedicated to her service to the Agency and she performs beyond expectations.

A cherry on top of the Management cake is the vivacious Accountant/Company Secretary –Ms. Mimi Mbokazi who keeps an eagle eye over the Agency finances and code of ethics. Her high mercantile proficiency; has earned the Agency; unqualified Audit Reports for the fourth year running. We are hoping for this to continue as it is a true reflection of our management's style.

The rest of the staff compliment is a close knit team of well trained employees in specialised fields of discipline. Our employees are exposed to extensive in-service-training by way of offering them bursaries for individual work - related skills which renders them as human resource asset.

I am indeed privileged to be part; of this exemplary close knit family. Perhaps as a father-figure of the Agency I feel like proposing the establishment of a small kitty as an extra-mural social club to cherish our individual birthdays, weddings, anniversaries; as well as sharing grief.



## 1.4. BUILDING OF TRUST

During the past; the Agency has failed to impress the target group (residents) as if we were not delivering anything. This has unfortunately been attributable to the incorrect and misleading information which had raised hopes that the Agency would be dishing out monies, building schools, clinics, and delivering JOJO tanks during drought periods. Our catalyst role is to research and create an enabling environment conducive to development within UMkhanyakude as our area of operation.

The Agency is now all out to unpack our role as per our vision and mission statement; and we would implore the Parent Body to promote its product (agency) in its dealings with the communities. Another inhibiting factor that has handicapped the Agency was the time-consuming red tape; bureaucracy and pessimism which characterised certain powers that be viz. Environment Impact Assessments; tender processes; compilation and approval of Business Plans; sourcing of funds and Re-establishing budgets..

The Board, Management and Staff are to be commended for their patience and understanding of the challenges against the integrity of the Agency; at times an acid test. You guys kept your cool and kept the fires burning and the flag flying. We have indeed laid a solid foundation upon which our successors will advance towards greater heights. My CEO is to detail projects revealing statistics i.r.o. Employment opportunities, depicting male, female and youth numbers for each project established in our nodal district.

## 1.5. BOARD MEETINGS

We have had 4 very productive Board Meeting this year and this had culminated in our adoption of the New Vision 2013 of the Parent body. The current Term of the Board is coming to an end and we will be eager to apply our commitments again if it is so wished.

We welcome the new Audit Committee and its members under the leadership of Mr Barry van der Merwe, as a vital Part of our Corporate Governance Team. The contributions have been very helpful to date and we look forward to further guidance.





## 1.6. OFFICE CHRISTMAS HOLIDAY

Our offices at 308 Ebony Crescent in Mtubatuba shall be closed from\_16th December 2011.to the\_02nd January 2012.inclusive.

## 1.7. FESTIVE SEASON

May I take this opportunity of wishing our Parent Body, the Board; Management/staff and the entire Umkhanyakude family; a merry, merry Christmas and an industrious 2012 full of pleasant surprises. We must earnestly plead with God the Almighty to save us the prevalent carnage in our roads; and most so; the breath-taking catastrophe poised by the global climate change which has a potential of rupturing the ozone layer and wipe-out mankind from the face of this earth. Let us all turn to the infinite God for the redemption of our wrong doings and for Him to have Mercy upon us.

*Let us pray...*

*“Heavenly Father; in this world there are so many things we do not understand. Father helps those who are trying to give relief. Only you have the infinite power of saving this world from the precipice we are approaching. Lord helps us to confess that we have sinned and provoked you by our abominable conduct.*

*Oh Lord help us to come together in these crucial times that we may make the necessary sacrifices towards unity of purpose that we may understand your Holy will and welfare of our land and people. Lord God the Father, the Son and the Holy Spirit; have Mercy upon the creation of your own hands and grant forgiveness of sins; love and peace in abundance.” Ukuthula kukaNkulunkulu, okwedlula ukuqonda konke-kuyakulondoloza imiphefumulo, nemcabango, nezinhliziyo zenu kuKristu Jesu. Njengokuba kwakunjalo ekiuqaleni, kunjalo manje-makekubenjalo ngezikhathi nezikhathi.... ize ibuye Inkosi.*

**AMEN**

**I thank you.**

**Hosea Alex Sandanezwe kaAndreyka kaNyamana kaVondovondo Fakude.  
Chairman of the Board of Directors**



## 2. Chief Executives Officer Report.

### 2.1. Annual Report on UMDA Milestones 2011\ 2012 Financial Year

As Chief Executive Officer of the Umhlosinga Development Agency i am proud to report that the entity has moved closer this year in achieving its Mandate and in so doing become more relevant to its shareholder and community. The complete adoption with conditions by the New Shareholder representative and mother body UMkhanyakude District is a very welcome action.

The entity has received its final financial support from the Industrial Development Corporation during the Financial Year and as such will now be completely funded by the Shareholder from the 2012 2013 financial year. This will be welcome as it would put greater emphasis on the UMDA to be relevant to its shareholders ideals and needs.

The Financial Year of 2011 2012 was a year of transition and relationship building as well as direction and vision for the people of UMkhanyakude. And as we are winding down on the first tranche of Projects the UMDA will be taking on new more focused position based on the Shareholder and national Strategy for economic Development.

The UMDA is the Investment and Business Management Wing of the District Municipality of UMkhanyakude, it is not the Economic Development department of the District and as such do not deal with day to day projects. The new financial year will see us communicating with the public on a monthly basis via Radio Programs to inform of our performance Initiatives and programme available from National and Provincial Departments and institutions.

This community Participation and Communication Strategy will insure clear understanding of the Mandate and Purpose of the Entity in the UMkhanyakude Society and Business Environment. The UMDA has been instrumental and facilitated the Process of Registering the UMkhanyakude Chamber of Commerce and Industry and as such will allow the Chamber to utilise the same platform to promote membership and Communication to Community.



The following Programmes have been concluded and are in the process of conclusion as per our first 5 year term. The fact that some of our “projects” have not been completed is frustrating to the Board and Management but is due to matters out of the control of the Entity and should be viewed as challenges to overcome and pursue in the new Financial Year.

## 2.2. Tourism

### 2.2.1. Route 22

The route has now been fully introduced to the Private sector and we have to date signed on over 50 Members. The Route will further expands to include the full contingent of District Tourism Initiatives that will include new and existing product. The Route is the Official Tourism intervention of the District Municipality and as such will enjoy the integration of all other tourism initiatives from Local Municipalities.

The Route is being expanded as part of the District **Vision 2030**, and will form the foundation of the Coastal Corridor in the Corridor Economic Strategy. The Tourism Flagship – **ROUTE 22**. With the completion of the Feasibility study and successful passive marketing campaign, this incentive has created great excitement within the district. The recognition of a shared vision with the district, communities and tourism will lead to a strong collective brand increasing visibility of the District, which was evident at the annual 2012 Tourism Indaba, where a database of tour operators was established. We believe that the additional development of the **EAST 3** Route by Isimangaliso will complement the District and the **Route 22** as it will form part of a high level Destination from the district into the two neighbouring countries.

Wow Zulu – one of the partner products has been identified as an integral part of **ROUTE 22**. Three ‘Wow Zulu’ marketplaces will be strategically placed along the Route between Hluhluwe Game Reserve and the Mozambique border. These will be seen as key draw cards of the route and will act as anchor points, opening up cultural activities, which will aid in unlocking the transition of ownership in the tourism sector. The concept will provide support, training, branding and marketing. Initially the support is funded and over time it has to be financed by a share of profits. The first Wow Zulu site is in the progress of erection along one of the main corridors of R22, just outside Hluhluwe Village.



of the main corridors of R22, just outside

Funding for signage was acquired via Department of Corporate Governance & Traditional Affairs, through Tourism KwaZulu-Natal, for the district. Marketing platforms are being developed together with distribution channels. The first focus will be on brand creation and increasing the visibility of the district. Creation of sales channels and the resulting handling of demand must be done through the private sector and CTO's that have genuine receptive tourism departments.

**ROUTE 22** will build on the CTO's efforts taking the district to the next level, by linking business and increasing network capabilities as well as communicating community information and networking with local government.


### **2.2.2. Wow Zulu,**

is one of the support products of the Route, 6 of these Craft activity centres will be build in the district in strategic locations and this would activate the development of several sub products. Firstly at each of the centres the following will be available.

Craft Activities and sales.  
Story Telling and Interactivity.  
Food and Beverage.  
Visitors Information services.  
Tour guiding.  
Home Stead Tourism.  
Toilet Facilities.

The Centres are well researched and developed and we believe it will become the Craft incubation program in the Province, as two other Agencies and two other districts in the Province have followed suit. The First Wow Zulu will open in August in Hluhluwe, and funding for the remaining 5 will be secured soon.

### **2.2.3. Additional**

The UMDA is currently busy with two related investigations that would complement the Tourism route. The One being the King Zwelethini Resorts, and the other the Pongola River Reserve. The 2030 Vision of the Shareholder is placing emphasis on the development of a Heritage route that would incorporate the Cultural and Struggle history of the region. The UMDA Route 22 study has highlighted this aspect and as such it will be implemented with  the relevant Local Municipalities.

## 2.3. Agriculture

### 2.3.1. Makathini Nursery

The nursery is complete and will start to sell seedlings in from August 2012; a farmers market will be added to the nursery site to enhance the activities around the venue. Many of the hawkers have indicated that they would prefer one site to purchase and pick up produce. The Farmers are very positive regarding the venue and have indicated their willingness to utilise the space for distribution.

This project is done in collaboration with Zululand Nursery and Mjindi Farming.

#### Packaging\ Branding

The Packaging Plant is currently not operating to capacity and as such the Collaboration with Mjindi has resulted into the UMDA registering the Brand Makathini Fruit and Vegetables, the pilot of this project will commence during the first quarter of the new Financial Year.

### 2.3.2. ILO

The International Labour Organisation and the Department Of Economic Development has engaged the UMkhanyakude District to do a Pilot on the Procurement Of Vegetables for the School Feeding Scheme and the Department Of Education will look at the procurement process as part of the Pilot Project to be Done by the UMDA to establish the viability and the possible amendments to the Public Procure Process.

### 2.3.3. Ground Nut

This project is the most ambitions of all the UMDA projects to date and will see the establishment of a large Ground Nut Industry in the District to cover over 20 000ha in the next 72months.

The Department Of Cooperative Governance and Traditional Affairs as well as the Department of Agriculture have committed to the capital of the project and the private sector will play role as well. The UMDA will sign Contract with all relevant parties as the Lead Facilitator and Monitor of the Project and will engage the Producers Snack Factory© in terms of Off-take Commitments.



## **2.4. 2030 Corridor Strategy**

The Rail Marketing Study done in the last Tranche resulted in the recommendation of a much greater investigation in to the establishment of a Corridor development strategy, this was adopted by the Provincial Government as well and the UMDA approached the RIDS fund of IDC.

This project is the result of an application made by the UMDA in 2011 with regards to the development of a Corridor investment strategy and capacity program. Funding was received in late February 2012 and the shareholder requested the UMDA to delay implementation in order for the new Vision 2030 to be adopted by all municipalities.

This was done at the end of June 2012. The result is that the UMDA has now been given the Mandate to Officially engage with a Corridor Investment strategy that will not only look and the realisation of the Vision of the Shareholder but develop tangible investment strategy for the entire Region that includes Local Municipalities in and outside the district, Stakeholders both Private and Public and this would ensure the funds entrusted to us for this study will be utilised to the maximum.

The projects were advertised and a Tender Briefing was done by CEO 12 Companies applied and the Adjudication Process is Underway, with appointment of Consultants expected by August 2012. And Draft by October 2012. An amount of R800 000 was allocated to this project from RIDS fund located with IDC ADS and this fund will be carried over into the new financial year to utilise for this purpose.

## **2.5. The New Financial Year**

The UMDA will be Focusing more on Investment Driven Agenda in the New Financial year and all current project will be transferred over period of 24 months to relevant stakeholders such as SMME's the Secondary Cooperative of the District and Development Partners.

The UMDA will be registering a Property Register of Land and Buildings in the District. The Register will then be capacitated in terms of use and priority and these will then be seeded to the UMDA by the Local Municipalities.

The UMDA will then seek investment opportunities based on the Investment Register that would include the Land, Buildings and Concessions in terms of Rates, Electricity, water and related services, to attract investors.



The UMDA has several strategic MOU's in place the most significant in this regard is the one with the Richards Bay IDZ as it focuses on the unique relationship between Cheap Land for production and a Free Trade Zone and this relationship will benefit both parties as we embark on a joint marketing campaign.

## **2.6. The Mkuze Airport,**

Although this project is long outstanding many of the aspects regarding it was out of the control of the Agency, however the Mayor has arranged access to the President's Office and with this additional help the Non-Aviation of the Airport will see the development of a Shopping Mall and Terminal building.

The UMDA will furthermore start with experimental Air route in the 3rd Quarter of the Financial Year to Pilot 20 PAX in and 20 PAX out of the Airport Daily. A Concession in this regard will be advertised soon.

## **2.7. Jozini Hydro**

The UMkhanyakude District has applied for its own Water Services Licence and once this document has been obtained the Jozini Hydro will continue to be developed.

Interested parties have been identified and will be engaged in a Closed Tender process as soon as the necessary Processes have been completed.

The UMDA have secured additional Funding of R10m from the shareholder for related Property and Investment driven projects and we believe that the shareholder will build on the foundations set by the IDC Seed Funding to Date.

## **2.8. Looking Ahead to 2012 2013**

Investment and Facilitation Role in the new financial year based on the most significant activity in this financial year namely Vision 2030 and the UMkhanyakude District Planning Commission.



The Scoping of the new strategy will have a direct impact on the UMDA future Function and i believe that the UMDA will move from a Project Facilitation and Manager Focused entity to an Investment Facilitation and Consultation and Shareholder Interest Business Management. The Launch of the Planning Commission **Vision 2030** as well and the Provincial Growth and Development Strategy will give lead way into Entities such as UMDA paying a greater role in fast tracking the severe problem of unemployment and lack of small business.

As we enter the Final Financial Year of my current term i look back at this Entity that I helped create and cannot feel less than proud of our achievement. The Board of Directors, Staff and Share Holder is to thank for the countless inputs that was made to help UMDA achieve a reputation of Development and Economic Catalyst Facilitator. We believe the District of UMkhanyakude is Better of to have had this Entity than to too, we have raised funds for expensive Studies and

In addition to this we would be looking at raising awareness of the importance of our Mkhuze Airport and its vital catalyst effect on District. We would further like to expand on the Agricultural sector and hope to have at least two major initiatives on the ground before end of 3<sup>rd</sup> Quarter 2013.

The importance of facilitation and incubating the Value Chain in Agriculture is fundamental to our District economic growth.

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





### 3. Directors Report

The Umhloosinga Development Agency have been capacitating itself over the last 5 years to ensure transparency and accountability for Funding and corporate responsibility. We hope to find Greater Support from Provincial and National Programs and Strategies, as these initiatives and funding platforms are essential to the growth of the economy in UMkhanyakude.

We will keep striving to a Clean Audit strategy as this will ensure confidence in the Company and its Shareholders interest.

As such we present the **Annual Financial Statement and Performance Scorecard** for the **2011\2012** financial Year.



## **ANNEXURES**

### **3.1. Annual Financial Statements**

**Annexure: A**

### **3.2. Auditor General's Report and Findings**

**Annexure: B**

### **3.3. 2011\2012 Organisational Performance Report**

**Annexure: C**

### **3.4. Organisational diagram**

**Annexure: D**



Umhlosinga Development Agency Proprietary Limited  
(Registration number 2004/016608/07)  
Annual Financial Statements  
for the year ended 30 June, 2012

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## General Information

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Country of incorporation and domicile	South Africa
Nature of business and principal activities	Municipal entity
Directors	HAS Fakude WD Eckersley LE Mngomezulu JL Dodkins M Mncwango
Registered office	21 Klebe Street Mkhuze Kwazulu Natal 3965
Business address	Lot 308 Ebony Crescent Mtubatuba 3935
Auditors	Auditor-General South Africa
Company secretary	NA Mbokazi
Attourneys	Weich & Kriel Inc.

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Index

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

<b>Index</b>	<b>Page</b>
Directors Responsibilities and Approval	3
Chief executive officers report	4
Directors Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Statement of Cash Flows	9
Accounting Policies	10 - 13
Notes to the Annual Financial Statements	14 - 18

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

Detailed Income Statement	19
Actual vs Budget 2012	20
Actual vs Budget 2011	21

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Directors Responsibilities and Approval

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

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

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June, 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 21, which have been prepared on the going concern basis, were approved by the Board of Directors and the Chief Executive Officer on 22 August, 2012 and were signed on its behalf by:

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HAS Fakude

(Chairman of the Board of Directors)

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AX Gericke

(Chief Executive Officer)

## **Chief executive officers report**

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To the directors of Umhlosinga Development Agency (Proprietary) Limited

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 17, in terms of Section 126(2) of the Municipal Finance Management Act, Act 56 of 2003 and the supplementary information on pages 18 which I have signed on behalf of the municipal entity.

**Chief Executive Officer**  
**AX Gericke**

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Directors Report

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The directors submit their report for the year ended 30 June, 2012.

### 1. Incorporation

The company was incorporated on 17 June 2004 and obtained its certificate to commence business on the same day.

The company was originally incorporated under the name Maxitrade 42 General Trading (Proprietary) Limited and change to Umhlosinga Development Agency (Proprietary) Limited on 4 July 2006, and remained dormant until 1 January 2008 where the establishment phase commenced.

### 2. Review of activities

#### Main business and operations

The company is engaged in acting as an agent for and on behalf of Umkhanyakude District Municipality for the purpose of implementing economic development activities and all its business allied thereto and ensure the development of Umkhanyakude Municipality and its surrounding areas.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the company was R 254,557 (2011: R 1,201,678 profit), after taxation of R (7,199) (2011: R 25 020).

### 3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

### 4. Authorised and issued share capital

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

### 5. Directors

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

Name	Nationality	Date of resignation
HAS Fakude	South African	
WD Eckersley	South African	
LE Mngomezulu	South African	
JL Dodkins	South African	
M Mncwango	South African	
L Mathenjwa	South African	15 December, 2011

### 6. Holding company

The company's holding company is Umkhanyakude District Municipality.

### 7. Auditors

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



# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	477,578	234,944
<b>Current Assets</b>			
Trade and other receivables	3	800,000	-
Cash and cash equivalents	4	720,609	947,713
		<b>1,520,609</b>	<b>947,713</b>
<b>Total Assets</b>		<b>1,998,187</b>	<b>1,182,657</b>
<b>Equity and Liabilities</b>			
Share capital	5	100	100
Retained earnings		630,827	885,384
<b>Total equity</b>		<b>630,927</b>	<b>885,484</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current tax payable		61,120	53,921
Trade and other payables	7	1,306,140	243,252
		<b>1,367,260</b>	<b>297,173</b>
<b>Total Equity and Liabilities</b>		<b>1,998,187</b>	<b>1,182,657</b>

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue	8	4,512,764	5,950,000
Other income		803,708	737,037
Operating expenses		(5,516,131)	(5,461,361)
<b>Operating (loss) profit</b>		<b>(199,659)</b>	<b>1,225,676</b>
Investment revenue	9	11,098	2,026
Finance costs	10	(58,797)	(1,004)
<b>(Loss) profit before taxation</b>		<b>(247,358)</b>	<b>1,226,698</b>
Taxation	11	(7,199)	(25,020)
<b>(Loss) profit for the year</b>		<b>(254,557)</b>	<b>1,201,678</b>

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Statement of Changes in Net Assets

Figures in Rand	Share capital	Retained earnings	Total equity
<b>Balance at 01 July, 2010</b>	<b>100</b>	<b>(316,294)</b>	<b>(316,194)</b>
Changes in equity			
Total income for the year	-	1,201,678	1,201,678
Total changes	-	1,201,678	1,201,678
<b>Balance at 01 July, 2011</b>	<b>100</b>	<b>885,384</b>	<b>885,484</b>
Changes in equity			
Total income for the year	-	(254,557)	(254,557)
Total changes	-	(254,557)	(254,557)
<b>Balance at 30 June, 2012</b>	<b>100</b>	<b>630,827</b>	<b>630,927</b>
Note(s)	5		

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Statement of Cash Flows

Figures in Rand	Note(s)	2012	2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	131,338	904,399
Interest income		11,098	2,026
Finance costs		(58,797)	(1,004)
<b>Net cash from operating activities</b>		<b>83,639</b>	<b>905,421</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(310,743)	(213,278)
<b>Total cash movement for the year</b>		<b>(227,104)</b>	<b>692,143</b>
Cash at the beginning of the year		947,713	255,570
<b>Total cash at end of the year</b>	4	<b>720,609</b>	<b>947,713</b>

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice and South African Statements of Generally Accepted Accounting Practice including any interpretations of such Statements issued by the Accounting Practices Board. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

All property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

#### 1.2 Financial instruments

##### Classification

The company classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Accounting Policies

---

### 1.2 Financial instruments (continued)

#### Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

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

#### Cash and cash equivalents

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

### 1.3 Tax

#### Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

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

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

### 1.4 Impairment of non-financial assets

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

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Accounting Policies

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### 1.4 Impairment of non-financial assets (continued)

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

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

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

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

### 1.5 Share capital and equity

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

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

### 1.6 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Accounting Policies

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### 1.6 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

### 1.7 Government grants

Government grants are recognised when there is reasonable assurance that:

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

Grants related to income are presented as a credit in the profit or loss (separately).

### 1.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.9 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 Municipal Finance Management Act (Act No. 56 of 2003) Unauthorised expenditure is accounted for as an expense in the statements of Financial Performance and where recovered it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.10 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) or contravention of the supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.11 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.



# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011

### 2. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	35,943	(12,813)	23,130	35,943	(5,624)	30,319
Motor vehicles	131,000	(32,750)	98,250	131,000	(8,733)	122,267
Office equipment	24,461	(11,952)	12,509	24,461	(9,602)	14,859
IT equipment	108,973	(58,922)	50,051	91,868	(24,369)	67,499
Work in progress	293,638	-	293,638	-	-	-
<b>Total</b>	<b>594,015</b>	<b>(116,437)</b>	<b>477,578</b>	<b>283,272</b>	<b>(48,328)</b>	<b>234,944</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	30,319	-	(7,189)	23,130
Motor vehicles	122,267	-	(24,017)	98,250
Office equipment	14,859	-	(2,350)	12,509
IT equipment	67,499	17,105	(34,553)	50,051
Work in progress	-	293,638	-	293,638
	<b>234,944</b>	<b>310,743</b>	<b>(68,109)</b>	<b>477,578</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	9,262	24,923	(3,866)	30,319
Motor vehicles	-	131,000	(8,733)	122,267
Office equipment	16,789	-	(1,930)	14,859
IT equipment	23,968	57,355	(13,824)	67,499
	<b>50,019</b>	<b>213,278</b>	<b>(28,353)</b>	<b>234,944</b>

### 3. Trade and other receivables

Other receivable	800,000	-
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### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cheque Account	35,993	50,069
Call Account	683,115	887,728
Credit Card	1,042	9,726
Cash on hand	459	190
	<b>720,609</b>	<b>947,713</b>

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Notes to the Annual Financial Statements

Figures in Rand 2012 2011

### 4. Cash and cash equivalents (continued)

Certain bank accounts of the Agency are held at Absa Bank

*Cheque account - 406 976 2605*

*Call account - 9200 378 551*

*Credit card - 5474 7100 5019 4018*

*Call account - 9236 199 818*

One bank account of the agency is held at Nedbank

*Investment account - 36990525/9997*

### 5. Share capital

#### Authorised

1000 Ordinary shares of R1 each	1,000	1,000
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900 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

#### Issued

Ordinary	100	100
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### 6. Accruals

#### Reconciliation of accruals - 2012

	Opening balance	Movements	Total
Accruals - Leave pay	43,308	26,907	70,215

#### Reconciliation of accruals - 2011

	Opening balance	Movements	Total
Accrual - Leave pay	33,568	9,740	43,308

### 7. Trade and other payables

Trade payables	475,846	36,622
Amounts received in advance	7,500	-
VAT	99,088	163,322
Provision for leave pay	70,215	43,308
Unspent conditional grant	653,491	-
	<b>1,306,140</b>	<b>243,252</b>

Unspent conditional grants are funds received from IDC RIDS funding.

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Notes to the Annual Financial Statements

Figures in Rand	2012	2011
<b>8. Revenue</b>		
Grants received	4,512,764	5,950,000
<b>The amount included in revenue are the following grants received:</b>		
Industrial Development Corp	2,812,764	5,000,000
Umkhanyakude District Municipality	800,000	789,168
MTN SA Foundation	900,000	800,000
	<b>4,512,764</b>	<b>6,589,168</b>
<b>9. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	11,098	2,026
<b>10. Finance costs</b>		
Bank	58,797	1,004
<b>11. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	7,199	25,020
<b>12. Auditors' remuneration</b>		
Fees	129,514	268,638
<b>13. Cash generated from operations</b>		
Loss before taxation	(247,358)	1,226,698
<b>Adjustments for:</b>		
Depreciation	68,109	28,353
Interest received	(11,098)	(2,026)
Finance costs	58,797	1,004
<b>Changes in working capital:</b>		
Trade and other receivables	(800,000)	-
Trade and other payables	1,062,888	(349,630)
	<b>131,338</b>	<b>904,399</b>
<b>14. Taxation paid</b>		
Balance at beginning of the year	(53,921)	(28,901)
Current tax for the year recognised in profit or loss	(7,199)	(25,020)
Balance at end of the year	61,120	53,921
	-	-

# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Notes to the Annual Financial Statements

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Figures in Rand	2012	2011
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### 15. Directors emoluments

#### Non-executive

2012	Emoluments
For services as directors	168,465

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2011	Emoluments
For services as directors	152,436

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The directors are reimbursed on their travel expenses at R3.75 per kilometre travelled plus a sitting fee of R1 600 for board meetings and sub-committee meetings.

### 16. Prior period errors

	Creditors	Accumulated Surplus
Balance as per prior period year AFS	9,220	912,782
Adjustment of error	27,400	27,400
Restated Balance	36,620	885,382

### 17. Reclassification of comparative

Certain comparative figures have been reclassified.

Related party income	639,168	-
Grants received	5,950,000	6,589,168

### 18. Risk management

#### Financial risk management

The Financial Instruments comprises of cash and short term investments. The main purpose of the financial instruments is to raise finance for the entity's operations. The entity has other financial instruments such as creditors.

#### Liquidity risk

Liquidity Risk is the risk of the entity defaulting on its obligations as a result of insufficient funding capacity in relation to such obligations. The entity manages this risk by seeking funding from the shareholder and IDC and through planning and continuing re-planning of long term project costs and funding requirements

#### Interest rate risk

The entity has a short term investment with Nedbank which yields a monthly interest at a monthly rate of 5.25% per annum. The entity withdraws from this investment monthly on a two days notice period.

### 19. Management remuneration

#### Chief Executive Officer - AX Gericke

Basic salary	491,212	452,976
Travel allowance	168,000	144,000
Cell phone allowance	10,200	10,200
Annual performance bonus	66,941	-
	<b>736,353</b>	<b>607,176</b>

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# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Notes to the Annual Financial Statements

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Figures in Rand	2012	2011
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### 20. Related parties

Relationships

Ultimate holding company : Umkhanyakude District Municipality

#### Related party transactions

Telephone expenses	101,701	31,173
Salary cost	611,095	607,995
Grant received	800,000	-
Electricity and water	13,877	-

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

### 21. Fruitless and wasteful expenditure

#### Fruitless and wasteful expenditure in the prior year

- Penalties incurred on late payment of PAYE	58,292	-
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The late payment of PAYE was due to the non-availability of funds at the time when payment was due. As such the penalties and interest incurred thereon was beyond the control of management.

### 22. Commitments

There were no capital and operational commitments at year end.

### 23. Irregular expenditure

An amount of R1395 was paid to theThengani Lodge and it's a supplier who is in service of the state.

### 24. Operating lease

The total future minimum lease payments under non-cancellable operating leases fall due as follows:

Within 1 year	17,587	17,587
In the second to fifth year inclusive	17,586	35,173
	-	-
	<b>35,173</b>	<b>52,760</b>

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# Umhlosinga Development Agency Proprietary Limited

(Registration number 2004/016608/07)

Annual Financial Statements for the year ended 30 June, 2012

## Detailed Income Statement

Figures in Rand	Note(s)	2012	2011
<b>Revenue</b>			
Grants received		4,512,764	5,950,000
<b>Other income</b>			
Golf Day sponsorship		26,490	6,000
Landing fees		14,613	82,069
Tender fee income		3,300	9,800
Sponsorship TIKZN		32,632	-
Related party		726,673	639,168
Interest received	9	11,098	2,026
		<b>814,806</b>	<b>739,063</b>
<b>Operating expenses</b>			
Accounting fees		(151,925)	(67,942)
Advertising		(12,504)	(140,319)
Auditors remuneration	12	(129,514)	(268,638)
Bank charges		(8,308)	(6,969)
Cleaning		-	(7,799)
Computer expenses		(4,359)	(8,638)
Consulting fees		-	(139,876)
Depreciation		(68,109)	(28,353)
Employee costs		(3,584,214)	(3,547,388)
Project costs		(987,386)	(858,701)
Insurance		(17,127)	(15,035)
Lease rentals on operating lease		(17,590)	(17,795)
Legal expenses		-	(8,668)
Postage		-	(4,215)
Printing and stationery		(34,115)	(22,241)
Repairs and maintenance		(31,341)	(23,269)
Security		(11,749)	(40,589)
Software expenses		(5,489)	-
Staff welfare		-	(3,500)
Subscriptions		(77,058)	(78,678)
Telephone and fax		(136,521)	(80,788)
Travel and entertainment		(224,944)	(91,960)
Utilities		(13,878)	-
		<b>(5,516,131)</b>	<b>(5,461,361)</b>
<b>Operating (loss) profit</b>		<b>(188,561)</b>	<b>1,227,702</b>
Finance costs	10	(58,797)	(1,004)
<b>(Loss) profit before taxation</b>		<b>(247,358)</b>	<b>1,226,698</b>
Taxation	11	(7,199)	(25,020)
<b>(Loss) profit for the year</b>		<b>(254,557)</b>	<b>1,201,678</b>

UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 ACTUAL	2011 BUDGET	2011 VARIANCE	2011 VARIANCE (%)
Grant Income	5,950,000	7,100,013	-1,150,013	-16
Landing Fees	82,069	100,000	-17,931	-18
Value in Kind	639,169	700,000	-60,831	-9
<b>Total Revenue</b>	<b>6,671,238</b>	<b>7,900,013</b>	<b>-1,228,775</b>	<b>-43</b>

EXPENDITURE

Accounting Fees	67,942	70,000	-2,058	-3
Advertising	140,319	150,000	-9,681	-6
Auditors Remuneration	268,638	300,000	-31,362	-10
Bank Charges	6,969	8,000	-1,031	-13
Cleaning	7,799	8,500	-701	-8
Computer Expenses	8,638	9,500	-862	-9
Consultants	139,876	150,000	-10,124	-7
Depreciation	28,353	30,000	-1,647	-5
Employee costs	3,547,388	3,461,913	85,475	2
Project costs	831,301	3,100,000	-2,268,699	-73
Insurance	15,035	15,000	35	0
Lease rentals on operating lease	17,795	20,000	-2,205	-11
Legal Fees	8,668	40,000	-31,332	-78
Postage	4,215	4,500	-285	-6
Printing and Stationery	22,241	25,000	-2,759	-11
Repairs and Maintenance	23,269	25,000	-1,731	-7
Security	40,589	45,000	-4,411	-10
Software Expenses	-	13,600	-13,600	-100
Utilities	-	50,000	-50,000	-100
Staff Welfare	3,500	4,000	-500	-13
Property, Plant and Equipment	-	100,000	-100,000	-100
Subscription	78,678	80,000	-1,322	-2
Telephone and Fax	80,788	90,000	-9,212	-10
Travel and entertainment	91,960	100,000	-8,040	-8
<b>Total Expenditure</b>	<b>5,433,961</b>	<b>7,900,013</b>	<b>-2,466,052</b>	<b>-31</b>

Explanations of significant variances greater than 10% versus budget

Only 50% of the grant from IDC was received and the balance to be received in the new financial year  
Less fees were received than budgeted for

The grant was only received half yearly, no funds were received from the shareholder and this caused delays in the projects

Less legal fees paid than budgeted for

No software expenses incurred during the year  
Inkind contribution from the shareholder

UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2012

REVENUE	2012 ACTUAL	2012 BUDGET	2012 VARIANCE	2012 VARIANCE (%)	Explanations of significant variances greater than 10% versus budget
Grant Income	5,166,255	7,200,462	-2,034,208	-28	Only 50% of the grant from IDC was received and the balance to be received in the new financial year
Landing Fees	14,613	15,000	-387	-3	
Value in Kind	726,582	730,000	-3,418	0	
<b>Total Revenue</b>	<b>5,907,450</b>	<b>7,945,462</b>	<b>-2,038,012</b>	<b>-31</b>	
<b>EXPENDITURE</b>					
Accounting fees	151,701	160,000	-8,299	-5	Less advertising expenses were incurred than projected
Advertising	12,504	15,000	-2,496	-17	
Auditors Remuneration	129,514	160,000	-30,486	-19	Higher Auditors fee was budgeted for as more than the current period was paid in the prior year Bank charges were cheaper than projected Computer expenses were less than budgeted
Bank Charges	8,308	10,000	-1,692	-17	
Computer Expenses	4,359	5,000	-641	-13	
Depreciation	68,109	73,100	-4,991	-7	
Employee costs	3,564,703	3,607,362	-42,659	-1	
Project costs	1,300,305	2,750,000	-1,449,695	-53	The shareholders grant was not received and IDC grant was received half yearly
Insurance	22,264	25,000	-2,736	-11	No legal fees paid in the year under review Entity had budgeted more due to having the Business Support office
Lease rentals on operating lease	17,590	20,000	-2,410	-12	
Legal Fees	-	40,000	-40,000	-100	
Printing and Stationery	34,115	40,000	-5,885	-15	These were budgeted more due to
Repairs and Maintenance	23,627	24,000	-373	-2	
Security	11,139	15,000	-3,861	-26	Inkind contribution from the shareholder Inkind contribution from the shareholder
Software Expenses	5,445	6,000	-555	-9	
Utilities	13,878	50,000	-36,122	-72	
Office Space	-	80,000	-80,000	-100	PPE
PPE	-	45,000	-45,000	-100	
Subscription	76,972	80,000	-3,028	-4	Telephone and Fax
Telephone and Fax	136,521	140,000	-3,479	-2	
Travel and entertainment	224,478	600,000	-375,522	-63	Travelling was budgeted due to a number of projects taking place.
<b>Total Expenditure</b>	<b>5,805,531</b>	<b>7,945,462</b>	<b>-2,139,931</b>	<b>-27</b>	



# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE BOARD OF DIRECTORS ON UMHLOSINGA DEVELOPMENT AGENCY (PTY) LTD

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Umhlosinga Development Agency (Pty) Ltd, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages xx to xx.

### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
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 Umhlosinga Development Agency (Pty) Ltd 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 matter

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

## **Restatement of corresponding figures**

8. As disclosed in note 16 to the financial statements, the corresponding figures for the 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the Umhlosinga Development Agency (Pty) Ltd at, and for the year ended, 30 June 2011.

## **Additional matters**

### **Unaudited supplementary information**

9. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

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

10. 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**

11. 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.
12. 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 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 objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

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

### **Additional matter**

14. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

### **Achievement of planned targets**

15. Of the total number of planned targets, only 19 were achieved during the year under review. This represents 42% of total planned targets that were not achieved during the year under review.

16. This was due financial constraints experienced by the institution during the year.

### **Compliance with laws and regulations**

17. I performed procedures to obtain evidence that the entity 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**

18. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA or. Material misstatements of liabilities, expenditure, revenue and disclosures identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Internal control**

17. 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 compliance with laws and regulations included in this report.

### **Financial management**

18. The Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial reporting. In this regard, the accounting officer did not ensure that regular, accurate and complete financial reports were prepared, which were supported and evidenced by reliable information. This resulted in material corrections in financial statements.

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*

**ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2012**

Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
<b>1. Basic Service Delivery</b>									
1.1	To build an office block and conference centre at airport	Building Office Block and Conference Centre at Airport	Office block and conference centre funding and plans received	Yes/No Date received	New project	Yes 30-Jun-2012	No N/A	Funding not yet received but investor been identified. The investors have presented project to Council and project was adopted.	Due Diligence is to start in June 2012 and construction will begin on the 4th Quarter of 2012.
1.2	To establish Regional Airport by 2013 within 60 months of final business plan and feasibility report	Regional Airport establishment progress	The percentage progress on establishment of airport as per milestones	Percentage	5%: project business plan in place and adopted by shareholder	10%: review feasibility report and establish commercial development on property	5%: Shopping centre establishment was adopted presentations made to Mayor and Advert Placed for expression of interest.	No funding for aviation development.	Made 3 applications to relevant funders for aviation site and awaiting for response.
1.3	Property and infrastructure development	Broad Band infrastructure for uMkhanyakude (UDM) on N2, R22 and 7 Towns	Established broad band infrastructure in UDM and 7 Towns	Yes/No Date established	New project	Yes 30-Jun-2012	No progress N/A	This project has been halted due to lack of clear guidelines from Department of Economic Development and Tourism.	With the assistance of ILembe Development Agency, the Project will now be re-scheduled as part of the Corridor initiative for UMkhanyakude as a Quick Win Project in 2012/2013.
1.4	Property and infrastructure development	Tranquility project	Number of sites identification for implementation of tranquility project in line with funding	Number	New project	3	3	3 sites identified. Land status and leases, generic EIA, GAP analysis drafted. Challenges encountered relate to land acquisition and funding constraints.	To get MOUs from land owners and source external funding for establishment.
1.5	Property and infrastructure development	Uhlaza project	Number of industrial sites identified and project plan executed PDA finalised Contract between Jozini LM, Developer and UMDA finalised	Number Yes/No Yes/No	New project	1 Yes Yes	0 Yes No	Project on hold due to to dispute due to Land related matters between developer and the land owner this could delay project the.	The CEO has intervened. This will be unlocked and in due time will be reinvestigated.

Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
1.6	Property and infrastructure development	Film office establishment	Appointment of the Manager for Zulu Coast Film office	Yes/No	Received COGTA funding which expired in May 2012	Yes	No	All parties have committed and have been presented with Concept Application for Funding made with COGTA Corridor Fund and Gijima. Project implementation not on target due to delays in advertising and appointment of the personnel for the Manager post.	Manager to be appointed in 2012/2013 financial year.
1.7	To establish housing and leisure development	Empiri project	Complete EIA by end of June 2012	Yes/No	New project	Yes	No	Project on hold due to land rights matters from the community involved. EIA not done due to Land Lease agreement not renewed.	This will be unlocked and in due time will be reinvestigated.
				Date completed		30-Jun-2012	N/A		
<b>2. Municipal Transformation and Institutional Development</b>									
2.1	To prepare a credible Strategic Plan	Strategic Plan Review	Reviewed and adopted Strategic Plan by 30 June 2011	Yes/No	New project	Yes	Yes	Strategic Plan adopted by Board members late due to Board meetings not seating regularly before March 2012	N/A
				Date adopted		New project	30-Jun-2011		
2.2	To revise the UMDA organisational structure	Organisational structure review	Number of vacant posts filled within 3 months after the approval of the Organogram	Number	0	1	1	Post filled on 25 May 2012	N/A

Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
2.3	Effective marketing of UMDA	Marketing, Corporate Image and Communication Strategies	Number of annual website updates	Number	Marketing Was Outsourced via service contract to Outthere design and reports to Marketing Committee. Is, printing and completing of Annual Report, Regular Website updates, News Letters reflecting activities.	12 updates of website	12 website updates	Website on target and increased space has been obtained to increase the information scope. Golf Day was great success from it the Pineapple processing project got underway, the Route 22 insert grew and we have more communication with Business Community via Chamber of Commerce  This is not needed here and can go in your annual report. Only report in case of under-performance of any of the targets.	Radio Program will now be used to access the community with Weekly programs and information sessions  This is not needed here and can go in your annual report. Only report actions in the case of under-performance of any of the targets.
			Number of newsletters printed every 4 months	Number		6 Newsletters e-format every two months and printed every 4 months	3 newsletters		
			Annual investment dinner held in April 2012	Yes/No		Yes: 1 Annual investment dinner in April 2012 show casing all investment opportunities & engaging stakeholders	Yes: 1 Annual investment dinner held in June 2012		
			Number of advertisement made as need arises	Number		Advertising as need arises	Advertisement made as need arises		
			Golf day held	Yes/No		Yes: Golf day	Yes: Golf day held on 23 Nov 2011		

Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
<b>3. Local Economic Development</b>									
3.1	To promote local economic development	Wind Energy UMkhanyakude program	Wind Energy Generation established	Yes/No	New project	Yes	No	Final funding from donor only received in December 2011 and did not include full funding for all projects budgeted for.	New projects thus discontinued till further notice.
3.2	To promote local economic development through tourism	Wow Zulu craft and Hospitality Franchise establishment	Percentage progress on eEstablishment of Wow Zulu craft and Hospitality Franchise	Percentage	Business Plan in Place	15%: Obtain Design. Start with purchasing of structure, make application for 5 more sites, finalize the concept.	10%: Concept plan received, application made for funding, first phase of structure purchased.	Due to changes made to original design and changes made in the final product the process was delayed. But late in June all structural manufacturing will be completed.	New designs Paid For and construction to start in September 2012
3.3	To promote SMMEs	Business Support and Development	Number of SMME's upgraded to sustainable entities (MTN funding)	Number	New project	Upgrade of 10 SMME's to sustainable entities	300 SMME's upgraded	Final funding from donor only received in December 2011 and did not include full funding for all projects budgeted for.	Applied for further funding.
3.4	To support youth involved in the SMMEs	Youth Support	Number of youth (younger than 35 years) on database	Number	New project	Database with 2,000 youth	No progress	Underperformance of the personnel who is on martenity leave	To work with secondary cooperatives to fastrack the project
3.5	To promote SMMEs	Nursery project in Makhathini	Nursery opened in Makhathini	Yes/No	New project	Yes	No	Delay in the Functioning of nursery delayed till 1st September 2012 due to Water uses access, and Update of design due to challenges.	To connect water in September 2012
				Date		30-Jun-2012	n/a		
3.6	To promote SMMEs	Branding and Packaging Plant	Brand, packaging and operations of plant finalised	Yes/No	New project	Yes	Yes	Operational and marketing plan In place, Branding registered with CIPO. Project was delayed for pilot due to internal matters relating to Mjindi farming.	Project to continue in new financial year.
				Date		30-Jun-2012	30-Jun-2012		

Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
3.7	To promote SMMEs	Traditional Authority and Agricultural Agency project	One new Investment Driven Agric Project established: Agency, zoning of land and signing of MOU finalised	Yes/No	New project	Yes:	No	Project was redirected due to advise from agric sector and Off take Agreement applications with COGTA to establish new Secondary Cooperative at a Value of R15m, project delay due to Process and Procedures. Secured off tack agreement for ground nuts.	Confidant that project will continue Presentation to Provincial Economic Cluster Committee to be done on 9 August 2012. Secondary Cooperative a way forward.
				Date		30-Jun-2012	30-Jun-2012		
3.6	To promote SMMEs	Cluster Corridor Development	Feasibility Study conduct by January 2013	Yes/No/In progress	New project	In progress	In progress	Project initiated in March 2012. Project with the District to follow SCM procedures.	N/A
				Date		30-Jun-2012	30-Jun-2012		
<b>4. Municipal Financial Viability and Management</b>									
4.1	To clear all internal and external audit queries efficiently clear and respond where applicable	Operation Clean Audit 2014	Number of audit queries cleared by Management	Number	Not measured previously	8	0	N/A	N/A
			Percentage of audit queries cleared by Management	Percentage	Not measured previously	100%	100%	N/A	N/A
4.2	To clear all internal and external audit queries efficiently clear and respond where applicable	Annual Audit Opinion	Type of audit report	Type: Qualified/ Unqualified/ Disclaimer/ Clean	Unqualified	Unqualified	TBA	N/A	N/A
4.3	To ensure spending as per approved Budget	Operational expenditure	Operational expenditure 100% or less of amount budgeted	Percentage	100% with variances submitted to IDC	100%	100% with variances submitted to IDC	N/A	N/A



Ref. No.	Strategic Objective	Programme Description	Key Performance Indicator	Unit of Performance Measurement	2010/2011	2011/2012		Reason for deviation and other comments	Proposed corrective measure
					Annual Performance	Annual Performance			
					Actual	Target	Actual		
4.4	Ensure compliance with Section 71 MFMA	Section 71 reports	Number of Sect. 71 reports timeously submitted to DC27	Number	Reports submitted to DC27	12 within 10 working days after the end of each month	12 reports (7 submitted on time and 5 submitted late)	All reports submitted monthly to DC27 but not all on time.	This will be rectified in the new financial year.
<b>5. Good Governance and Public Participation</b>									
5.1	To develop and review the existing policies	Finance policy review	Reviewed and Board approved Finance Policy	Yes/No	Yes	Yes	Yes	5 Finance policies reviewed by 30 June 2012	N/A
				Date	30-Jun-2012	30-Jun-2012	30-Jun-2012		
5.2	To obtain license from DME to operate Jozini Hydro	Operation of Jozini Hydro	Approved Water Users Licence for Jozini Hydro operation	Yes/No	Feasibility study for Jozini Hydro project conducted	Yes	No	Project was presented to the Presidents Office for Development Finance Promotion and the DG met with SSI and the UMDA the DG then presented to EXCO the finding and the fact that the project stumbling block must be removed.	The District Municipality will finalize their application for Water services Authority and License in terms of the Water Act and this would then form the Foundation for the Project to move to next level.
				Date	N/A	30-Jun-2012	N/A		
5.3	To complete and submit accurate annual financial statements to AGSA on timely basis.	AFS submitted by 31 August	Timeous preparation and submission of AFS 2011/2012	Yes/No	Yes	Yes	Yes, 14 March 2012	N/A	N/A
				Date	31-Aug-2010	31-Aug-2011	31-Aug-2011		
5.4	To improve financial viability and sound financial management	Functional Audit Committee	Established Audit Committee	Yes/No	Yes	Yes	Yes	N/A	N/A
			No. of Audit Committee meetings held	4	3	4	4	Meetings held as follows: 19 August 2011, 01 October 2011, 20 June 2012, last meeting on 22 August 2012.	

**ORGANOGRAM 2012\2013**  
**UMHLOSINGA DEVELOPMENT AGENCY**  
**PROJECT MONITORING AND IMPLIMENTATION**  
**PROFESIONAL SERVICES COORDINATION**  
**UMKHANYAKUDE DISTRICT MUNICIPALITY**

**Board of Directors**  
7 Members

**DC27**  
**HOD PED**  
**MM**  
**EXCO**

**Chief Executive Officer**  
(Section 57)

**Personal Assistant**  
To CEO and Board

**Chief Operations Officer**  
(Permanent)

**Chief Financial Officer**  
(Permanent)

**Legal Services**  
Outsourced

**Marketing**  
Outsourced

**Agricultural LED Practitioner**  
Permanent

**Tourism LED Practitioner**  
Permanent

**General assistant and Filing**  
Permanent Position

**LED Intern**

**LED Intern**

**Financial and Procurement Officer**