



## ANNUAL REPORT

2014/ 2015

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# MTUBATUBA MUNICIPALITY

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## 2014/2015

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# CHAPTER 1

## MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

*"Development is not an event but a process which requires multiple resources, conscious leadership and deliberate planning"*

### 1.1 MAYOR'S FOREWORD



**Honourable Mayor, Cllr I.F Nyawo**

It is always a daunting task to provide a complete account on the responsibilities conferred upon us by the electorate. Most significantly, we do so being quite conscious of the fact that the general public deserves its rightful place at the apex of the 'accountability chain'. In presenting this Annual Report, Mtubatuba Local Municipality sets out the performance highlights and financial management for the 2014/2015 financial year.

We owe this timely reporting to our colleagues in government, the people of Mtubatuba and all those who live, work and play in our municipal area by providing them with an insight into our approach to governance and service delivery. This Annual Report is a culmination of the Implementation of the Council's adopted Integrated Development Plan (IDP), Budget and Service Delivery and Budget

Implementation Plan for the 2014/2015 financial year. In essence, the report is an account of Mtubatuba Municipality's achievements in the year under review, and as with any rigorous instrument, it also assists in identifying our successes and failures. This report is therefore intended to attest to the collective efforts of the administrative and political arms of the Municipality to progressively address the expectations of our people.

It will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of neglect will remain with us beyond the term of office of any elected political office-bearer or top management official. This clearly qualifies the fact that, 'development is not an event but a process' which requires multiple resources and effective leadership.

I have no doubt that this will be a useful document for Councillors, Staff and Stakeholders as we strive to continuously improve our services to the people of Mtubatuba. I remain committed to working together with my Committees, the whole Council and the Municipal Administration in realising our vision and making it a practical reality. We are positive that Mtubatuba Municipality's future holds the promise of a better managed and financially viable institution which delivers excellent services to the communities. I trust that every reader who studies this report from a balanced and fair perspective will concur with this impression.

### **Vision**

Mtubatuba municipality through cooperativeness will be the engine of service delivery thus encouraging sustainable economic development and communities by 2030.

### **Mission**

- a. Delivering a high standard of essential services in a sustainable manner
- b. Encouraging active public participation in development issues
- c. Create robust economy through maximum exploitation of natural resources
- d. Globally renowned eco-tourist destination
- e. Building financial viability, through intensive investment and accountability

### **Core Values**

The Batho-Pele principles are central to the operations of the Mtubatuba Municipality, therefore informs the relations and interaction between Mtubatuba and its customers, community and other stakeholders. The following are the values upon which the municipality operates:

- a. Professionalism,
- b. Transparency,
- c. Innovation,
- d. Consultation,
- e. Excellence, and

f. Accountability

To people of Mtubatuba and everyone who work or visit our area; thank you for taking time to read this Annual Report and believe you me, you are doing your part as an active citezen in advansing our hard earned democracy. As the municipality, we have resolved to make Mtubatuba clean; both physically in our public spaces, towns and in good governance, at the adminsitration of the municipality.

Yours faithfully,

**Cllr Israel F. Nyawo**

**Honourable Mayor of Mtubatuba Municipality**

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**Strategic Objectives**

<ul style="list-style-type: none"> <li>• To promote an effective and efficient personnel, planning and administrative function.</li> <li>• To promote sound employee relations and labour stability</li> <li>• To promote and implement an effective and efficient recruitment and retention measures</li> <li>• To promote of employee efficiency and accountability</li> </ul>	<p><b>KPA 1.</b> Municipal Transformation and Organisational Development</p>
<ul style="list-style-type: none"> <li>• To ensure the provision of service in an equitable and sustainable manner</li> </ul>	<p><b>KPA 2.</b> Basic service delivery and infrastructure development</p>
<ul style="list-style-type: none"> <li>• To create an conducive and enabling environment for economic growth and development</li> <li>• Promote cohesive and social development</li> <li>• Pro-active and reactive integrated disaster management for all communities</li> <li>• To create a conducive environment for all sporting codes</li> </ul>	<p><b>KPA 3.</b> Local economic Development and Social development</p>
<ul style="list-style-type: none"> <li>• To promote public participation in all municipal affairs</li> <li>• To promote good governance</li> <li>• To promote integrate, coordinated and sustainable development</li> </ul>	<p><b>KPA 4.</b> Good government t and public participation</p>

<ul style="list-style-type: none"> <li>• To create good internal and external control environment</li> </ul>	
<ul style="list-style-type: none"> <li>• To increase municipal financial viability and management</li> </ul>	<b>KPA 5.</b> Financial viability and financial management
<ul style="list-style-type: none"> <li>• To promote and preserve a safe and healthy environment</li> <li>• To promote integrated and sustainable development</li> </ul>	<b>KPA 6.</b> Environmental planning and special development

## **1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW**

### **1.2.1 OVERVIEW AND FUNCTIONS**

Mtubatuba is one of the five municipalities within Umkhanyakude District Municipality in KwaZulu-Natal. Mtubatuba was named after the Inkosi Mtubatuba of the Mkhwanazi Clan. It is situated on the north-east coast of the province, and is home to 175 425 people. Covering an area of approximately 1970km<sup>2</sup>. Mtubatuba Municipality is one of the most urbanized municipalities within the district, with 15% of the municipality falling under urban areas.

The two main town areas are Mtubatuba and St Lucia. The vast majority of the municipality is under traditional authority – almost 80% – indicating a high proportion of people residing in scattered, rural areas under the jurisdiction of traditional authorities. The Isimangaliso Wetland Park World Heritage Site falls under Mtubatuba area. Mtubatuba as a local municipality and is responsible for the following:

Chapter 7 of the Constitution of the Republic of South Africa provides the primary legislative framework for the establishment of local government structures. Section 152 (1) provides the local government objectives as follows:

To provide democratic and accountable government for local communities;

- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.

## **1.2.2 MUNICIPAL MANAGER'S OVERVIEW**

Mtubatuba Local Municipality and its powers and functions are assigned to it in terms of Sections 155 and 156 read together with Parts B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, 1996.

The Municipality strives continuously for an unqualified audit (clean audit). We are pleased to say that Audit Outcome for 2013/2014 was unqualified with other matters. The administration monitored all the previous audit queries on a monthly basis to ensure that "clean audit report" outcome for 2013/2014 is achieved.

### **FINANCIAL POSITION**

The municipality's major revenue sources are listed below.

- Property Rates
- Refuse Removal
- Traffic Income

The tariffs relating to Service charges in the municipality were increased by 6% between the 2013/2014 and 2014/2015. The municipality will be enforcing the Debt collection and Credit management policies.

The municipality has increased its revenue collection, this is due to among others an updated Valuation Roll. However the municipality still experience challenges of non-payment for services by communities, which has a negative impact on service delivery.

Sound financial management remains the basis for the determination of our priority areas to avoid irregular; unauthorised; fruitless and wasteful expenditure and have been prioritised within the Integrated Development Plan.

### 1.2.3 DEMOGRAPHICS



The majority of the population is Black Africans and constitutes 98% of the population with whites making up just 1% of the population. The dominant home language is isiZulu – spoken by 92% of the population.

Population growth has slowed in the municipality but growth rate of 1, 8% is much higher than the provincial average of 0, 7%. Mtubatuba is closer to Empangeni-Richards Bay and at

the junction of a popular tourist area. Females makes up the majority of the population – 54% – with males making up the remaining 46%.

## Education

Out of the total of 79 724 of the population aged between 5 years and 24 years, 79% (62 971) are attending school, with non-attendance at just 21% (16 753). 19.9% of the population aged 20 year and above have no schooling, while 5,7% have attained higher education and 28,4 have completed matric.

## Births

The high proportion of persons aged less than 4 years – 14% of the population – is indicative of higher birth rates and survival rates associated improved health services and access to anti-retroviral medication. Hlabisa (greater proportion belonging to Mtubatuba after 11 ward were merged to Mtubatuba municipality) have the highest proportion of young persons in the province.

## Deaths

While the higher proportion of 0-4 years was indicative of a reduction in infant mortality, mortality rates are still high. Of the 1 177 deaths recorded, Tuberculosis was the leading cause of death in 2010 – 1 in 10 deaths were a result of TB. This is followed by HIV and Cerebrovascular diseases.

## Age and Gender

There is slight imbalance in terms of gender, with males comprises 82452 of the total population and female making up to 92875 of the total population.

Population Details									
Age	Population '000								
	Year -2012/13			Year 2013/2014			Year 2014/15		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 – 14	29164	28289	57453	35085	34032	69117	35085	34032	69117
Age: 15 – 19	10207	9187	19394	12280	11052	23332	12280	11052	23332
Age: 20 – 29	12103	14874	26977	14560	17893	32454	14560	17893	32454
Age: 30 – 39	6562	8749	15311	7894	10526	18420	7894	10526	18420
Age: 40 – 49	4229	5250	9478	5087	6315	11403	5087	6315	11403
Age: 50 – 59	3062	4958	8020	3684	5964	9648	3684	5964	9648

Age: 60 – 69	1750	2771	4521	2105	3333	5439	2105	3333	5439
Age: 70+	1458	3208	4666	1754	3859	5614	1754	3859	5614

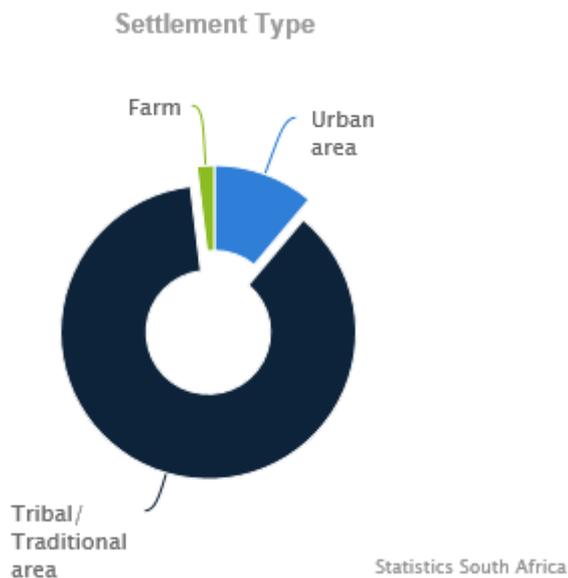
### **1.2.4 RACE DISTRIBUTION**

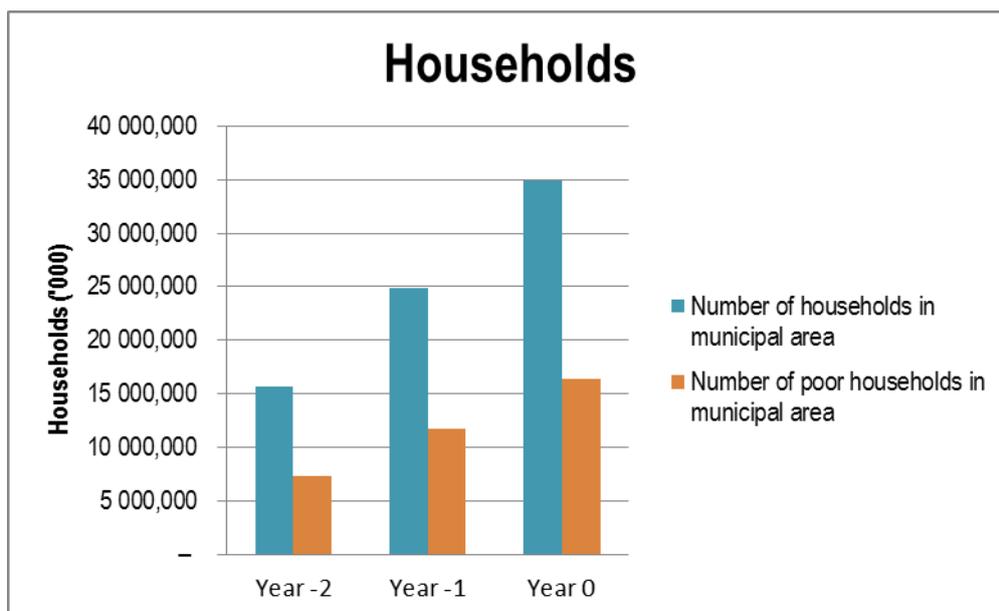
The table below demonstrates the race distribution of Mtubatuba Local Municipality in the 2011 census.

Black	98.1%
Indian	0.3%
White	1.1%
Other	0.1%
Coloured	0.4%

### **1.2.5 HOUSEHOLD COMPOSITION**

Mtubatuba municipality have 34 905 households, with average household size of 5,6. The proportion of formal dwellings is 80,5% up from 59,9% in 2001. Just 17% of households had flush toilet connected to sewage, and 22,1% of households have water inside the dwellings. 65,1% of the households used electricity for lighting.





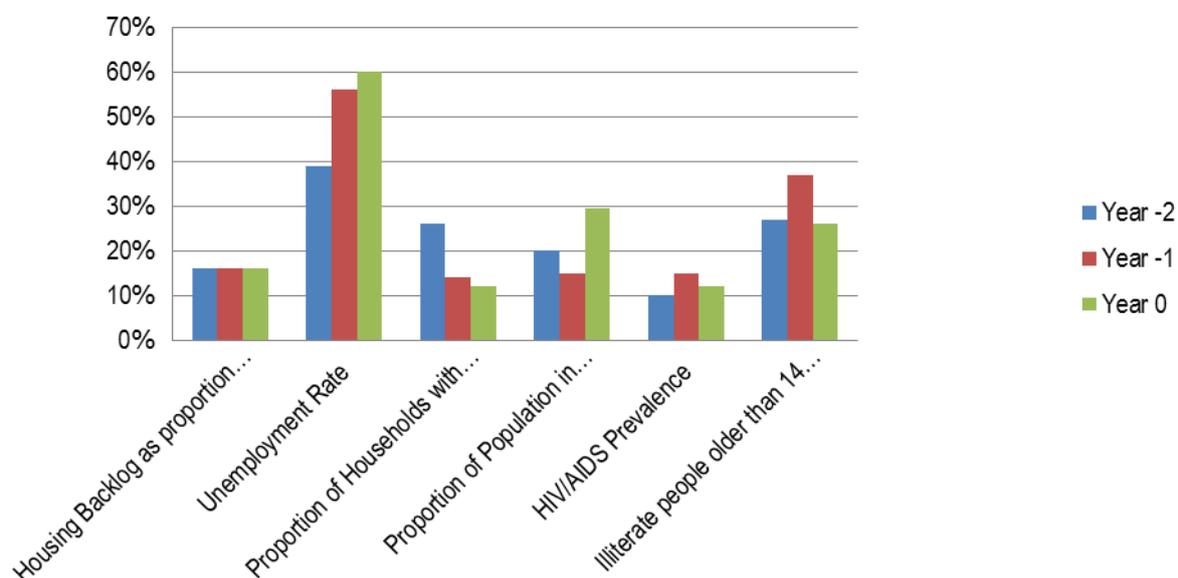
### **1.2.6 SOCIO ECONOMIC STATUS**

The largest employment sector is the agricultural sector. Another industry that provides employment opportunities is the eco-tourism sector.

Mtubatuba Municipality has a high dependency ratio of 78 with 47% of households headed by females. The majority of the population is young and dependent. 2% of the households is headed by children.

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year -2	16%	39%	26%	20%	10%	27%
Year -1	16%	56%	14%	15%	15%	37%
Year 0	16%	60%	12%	29%	12%	26%

## Socio Economic Status



OVERVIEW OF NEIGHBOURHOODS WITHIN MTUBATUBA MUNICIPALITY					
WARD DESCRIPTION	POPULATION				COUNCILLOR
	BLACKS	COLOURED	INDIAN/ASIAN	WHITES	
1 KWAMSANE TOWNSHIP	5826	5	2	0	K I KHESWA
2 KWAMSANE RURAL	15155	76	12	18	TM MBUYAZI
3 KHULA , BATTALION 121	15114	41	38	276	SR KHUMALO
4 ZWELISHA, DUKUDUKU, ST KUCIA & MONZI	5661	51	24	756	SD MANQELE
5 MTUBA CBD, NORTHDAL, SUGAR MILL & RIVERVIEW	2841	238	224	486	EK MAGWAZA
6 INDLOVU, NKODIBE	14525	90	91	227	KP TEMBE
7 OPHONDWENI	8171	13	11	11	SJ SHEZI
8 MFEKAYI, QAKWINI & MAZALA	9759	33	6	4	SJ KHOZA
9 NKUNDISI, ECHWEBENI & NGUTSHENI	6998	1	15	8	Z NKWANYANA
10 NHLONHWENI, NGODWENI & NSABALALA	9547	15	8	8	R BUKHOSINI
11 MCHAKWNI, BHOKOZA, NQIMULANA, BHEKAMANDLA, MGASEL	8070	1	26	2	ZE NYAWO
12 SHIKISHELA, MADWALENI, SHUNQA, MBILINI, MAKHAMBANE	9033	13	20	6	LG MKHWANAZI
13 NKOMBOSE, PHAPHASI, GEZI, DITCH	5129	22	15	4	T NDLOVU
14 MSHAYA, NKATHA, NOMATHIYA, NTWENI, GAGWINI	7072	0	8	6	RB MSOMI
15 NKOLOKOTHO, SIYEMBENI, DUBELENKUNZI, EZIMAMBENI	7466	9	5	5	FM MATHE
16 MAPHELENI, MASWAZINI, MANANDI, ETAMU	11847	8	21	12	MZ SHOBEDE
17 ESGCINO, GXABA, OGENGLE, THANDANANI, EMACIJA, EMGELE	8596	6	12	64	LX MKHWANAZI
18 GUNJANENI, PARADISE, BHEKUMUSA, SOMKHELE	12408	8	9	8	PK MSWELI
19 GG, MVUTSHINI, KHULIBONE, NOKLEWU, QOMINTABA, MACHIBI	8930	1	8	1	MQ MKHWANAZI
<b>TOTAL</b>	<b>172148</b>	<b>631</b>	<b>555</b>	<b>1902</b>	<b>175425</b>

Natural Resources	
Major Natural Resource	Relevance to Community
Agriculture	Job Creation
Tourism	Improves economic development in the area
Game Reserves	Economic and job creation

## SWOT ANALYSIS

<p><b>STRENGTH</b></p> <ul style="list-style-type: none"> <li>• Association with Isimangaliso Wetlands Park and the tourism activities anchored around this resource.</li> <li>• Well defined processes and procedures for land management and allocation of land rights.</li> <li>• Significant areas with good agricultural potential with the majority of them being used productively.</li> <li>• Sugar cane processing plant.</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Lack of a coherent spatial structure with the poor residing in far flung areas from employment and other urban opportunities.</li> <li>• Lack of a structured engagement between the municipality and traditional leadership in dealing with issues of spatial planning and land allocation.</li> <li>• Lack of sufficient internal capacity (planning department is grossly understaffed) to undertake effective spatial planning.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Location in relation to Isimangaliso Wetlands Park, and the surrounding eco-tourism</li> <li>• Regional access and connectivity along both north-south and east-west axis.</li> <li>• Structures responsible for conservation and planning that operate within Mtubatuba.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Impact of changes in weather patterns on agriculture, conservation, etc.</li> <li>• Impact of global economic slow-down on investment and development in Mtubatuba.</li> <li>• Operational challenges facing the Development Planning Shared Service Centre.</li> </ul>

## **1.3 SERVICE DELIVERY OVERVIEW**

### **SERVICE DELIVERY INTRODUCTION**

The Mtubatuba municipality (KZ275) is situated on the coastline of North-Eastern KwaZulu Natal. It is one of the 5 municipalities within UMkhanyakude District Municipality. Currently the municipality is estimated to have a total population of 174425 and 28099 households. The municipality has the highest concentration of white people and is the most urbanised within the district comprising of Mtubatuba CBD and St Lucia.

After May 2011 Local Government elections, the municipality has 19 wards and covers approximately 1970km<sup>2</sup>.

### **ACCESS TO SERVICES**

The functions of the Municipality are set out in Section 156, read together with Schedules 4B and 5B of the Republic of South Africa Constitution Act, Act 108 of 1996. Basic Service delivery focuses primarily on the provision waste collection, roads and storm water.

Water and sanitation service is rendered by uMkhanyakude District municipality and electricity being rendered by Eskom. These services underlie the delivery of housing which is a concurrent Provincial and National Government competency. The Municipality has been providing basic services in accordance with the minimum prescribed levels since its inception.

### **REFUSE REMOVAL**

The municipality removes refuse once a week from households and twice in the Central Business District. There is no refuse removal service in the rural area, hence communities use their own dumping sites within their household yards.

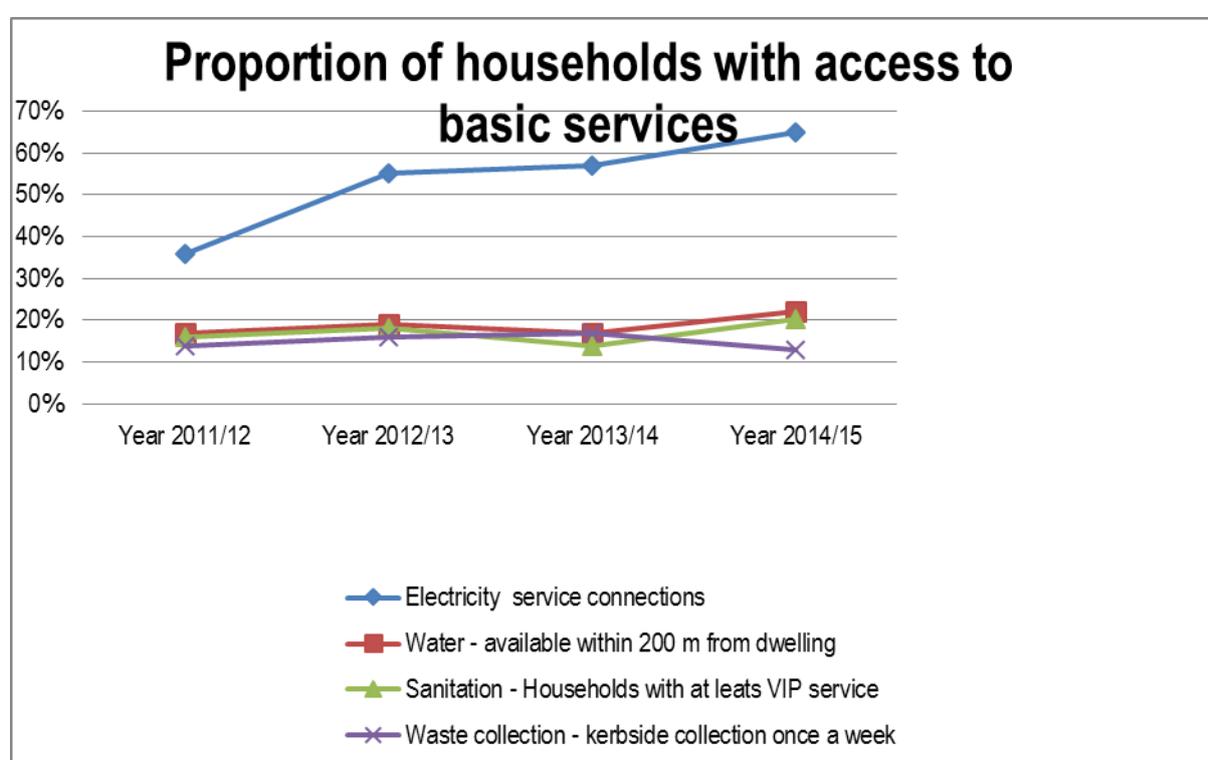
### **ECONOMIC DEVELOPMENT**

The Mtubatuba Local municipality is located in Umkhanyakude district which is one of the poorest and poverty stricken district municipalities in KwaZulu-Natal. However, the municipal area has enjoyed a number of economic resources that could be utilized to stimulate economic growth and development required in the area.

## **ROAD AND TRANSPORT INFRASTRUCTURE ANALYSIS**

The Municipality has a short supply of good all weather roads. This restricts the provision of some services such as waste removal. In addition, access to economic opportunities is also limited.

<b>Proportion of Households with minimum level of Basic services</b>				
	Year 2011/12	Year 2012/13	Year 2013/14	Year 2014/15
Electricity service connections	36%	55%	57%	65%
Water - available within 200 m from dwelling	17%	19%	17%	22%
Sanitation - Households with at least VIP service	16%	18%	14%	20%
Waste collection - kerbside collection once a week	14%	16%	17%	13%



### **1.4 ANNUAL REPORT PROGRESS**

- The IDP sets out the vision and objectives / goals and developments plans of the municipality. It is presented to council who adopts it and undertakes an annual review and assessment of performance.
- The IDP informs budget. The budget sets out the revenue raising and expenditure plan for approval by council.
- The budget and IDP informs the SDBIP which lay the basis for performance agreements of the Municipal Manager and Senior Managers.

- The IDP review is informed by changing circumstances. Evidence of this is obtained from the mid-year budget and performance reviews in terms of S72 of the MFMA and also the Annual Report in terms of S121 of the MFMA tabled to council.
- The fourth quarter, unaudited report, that includes the Annual Financial Statements as well as Annual Performance Reports, (S46 of the MSA), are submitted to the Auditor-General who will then an audit report on financial and non-financial audits simultaneously. Annual Reports provide feedback on the implementation of the IDP, budget and SDBIP in terms of the performance measurement system.
- Council adopts an Oversight Report based on outcomes highlighted in the Annual Report and actual performance.

## 1.5 FINANCIAL HEALTH OVERVIEW

### FINANCIAL OVERVIEW

The municipality's financial status indicate a slight improvement in the Statement of Performance which reflect an increase in revenue of R21 239 031 this is due to an increase in Property Rates and Service charges. The expenditure has increased by R32 585 200 in the 2014/2015 financial year this is largely due to an increase in employee costs and general expenses.

Financial Overview: Year 2014/2015				R' 000
Details	Original budget	Adjustment Budget	Actual	
Income:				
Grants	90 448.00	90 700.00	121 037.00	
Taxes, Levies and tariffs	29 277.00	26 733.00	24 653.00	
Other	16 230.00	9 874.00	13 844.00	
Sub Total	135 955.00	127 307.00	159 535.00	
Less: Expenditure	107 729.00	111 631.00	109 132.00	
Net Total*	28 226.00	15 676.00	50 403.00	

Employee costs represent 38% of the total expenditure, which is somehow within the norm. The Repairs and Maintenance 5% and Finance charges 14% of the represent total expenditure. The finance charges reflect a decrease from last year which indicates less fruitless and wasteful expenditure.

Operating Ratios	
Detail	%
Employee Cost	38%
Repairs & Maintenance	5%
Finance Charges & Impairment	14%

## **1.6 ORGANISATIONAL DEVELOPMENT OVERVIEW**

### **ORGANISATIONAL DEVELOPMENT OVERVIEW**

Human resources are the Municipality's most valuable resources, without which we would not be able to render services.

### **MANAGEMENT OVERVIEW**

The Municipal Manager is appointed on a fixed term contract in terms of Section 57 of the Municipal Systems Act 32 of 2000 and the four Directors are appointed on 5 year contracts. Employment contracts and performance agreements are in place for the Municipal Manager and all Directors reporting to the Municipal Manager.

### **WORKFORCE OVERVIEW**

The Municipality's organogram has a total number of 319 positions, 165 funded positions and 154 are vacant as at 30 June 2015. This translates to a vacancy rate of 48% and the staff turnover rate is 3% for the year, which is a substantial reduction from the previous year.

### **EMPLOYMENT EQUITY**

The Department of Labour require the Municipality to submit on annual basis an Employment Equity Plan which is based on the demographic composition of the KwaZulu-Natal Province. The Challenge associated with the implementation of Employment Equity Plan is our inability to attract suitably qualified candidates to the rural area who are willing to work for the packages on offer.

### **HUMAN RESOURCE POLICIES AND PLANS**

All policies and plans required by legislation are in place and there are a number of other policies in place to maintain harmonious labour relations.

### **SKILLS DEVELOPMENT AND TRAINING**

One of our development priorities is development and training of our workforce and a number of 21 staff members was targeted to attend various trainings based on their skills needs. However only 12 staff members were trained during 2014/2015 financial year, this was due to budget constraints.

### **EMPLOYEE EXPENDITURE**

The Municipality's employee costs including councillors allowances for the year totalled an amount of R48 765 047 for the year. This constitutes 45% of the total expenditure. The same

legal requirements for budgetary reporting, internal audit, strategic planning, performance management and intergovernmental relations and working groups apply to all municipalities irrespective of their size and this places undue pressure on the size of staff structures.

### 1.7 AUDITOR GENERAL REPORT: 2013/2014

The municipality had received an unqualified audit opinion with emphasis of the matter during 2013/2014, however this year the municipality is hoping for an unqualified audit opinion without any matters of emphasis “**Clean Audit**” during from 2014/15 onwards. Even though it seems hard to achieve the clean audit and this can be achieved by ensuring compliance with all relevant legislation and provisions.

The audit report is contained in Chapter 6 of this annual report.

#### STATUTORY ANNUAL REPORT PROCESS

LEGISLATION	SECTION	MAIN PROVISION
Municipal Systems Act No. 32 of 2000	Section 46: Annual performance reports	<p>1) A municipality must prepare for each financial year a performance report reflecting -</p> <p>(a) the performance of the municipality and of each external service provider during that financial year;</p> <p>(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and</p> <p>(c) Measures taken to improve performance.</p> <p>1) An annual performance report must form part of the municipality’s annual report in terms of Chapter 12 of the Municipal Finance Management Act.</p>
Municipal Finance Management Act No 56 of 2003	Section 121: Preparation and adoption of annual report	<p>1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129.</p> <p>2) The purpose of an annual report is-</p> <p>(a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;</p> <p>(b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and</p> <p>(c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.</p> <p>3) The annual report of a municipality must include-</p> <p>(a) the annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor- General for audit in terms of section 126 (1);</p> <p>(b) the Auditor-General’s audit report in terms of section 126</p>

		<p>(3) on those financial statements;</p> <p>(c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;</p> <p>(d) the Auditor-General's audit report in terms of section 45 (b) of the Municipal Systems Act;</p> <p>(e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;</p> <p>(f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;</p> <p>(g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);</p> <p>(h) any explanations that may be necessary to clarify issues in connection with the financial statements;</p> <p>(i) any information as determined by the municipality;</p> <p>(j) any recommendations of the municipality's audit committee; and</p> <p>(k) any other information as may be prescribed.</p>
Municipal Finance Management Act No 56 of 2003	Section 127: Submission and tabling of annual reports	<p>2) The Mayor must within seven months (by end January) of the financial year, table in the municipal council the annual report of the municipality.</p> <p>3) If the mayor, for whatever reason, is unable to table in council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the mayor must:</p> <p>a) Promptly submit to the council a written explanation referred to in section 133(1)(a) setting out the reasons for the delay, together with any components of the annual report listed in section 121(3) or (4) that are ready; and</p> <p>b) Submit to council the outstanding annual report or the outstanding components of the annual report as soon as may be possible.</p> <p>5) Immediately after an annual report is tabled in the council in terms of subsection (2), the accounting officer of the municipality must—</p> <p>(a) in accordance with section 21A of the Municipal Systems Act—</p> <p>(i) make public the annual report; and</p> <p>(ii) invite the local community to submit representations in connection with the annual report; and</p> <p>(b) submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the Province.</p>
	Section 129: Oversight reports on	<p>1) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was</p>

	annual reports	<i>tabled in the council in terms of section 127 adopt an oversight report....</i>
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The importance of meeting the annual report deadlines is to ensure that the municipal performance against budget for the year is reported, and account to the community for decisions made by the municipality during the year.

It is also important that the municipality's IDP is aligned with the budget and performance management as these must be flawlessly assimilated. While IDP fulfils the planning stage, performance management fulfils the management of implementation, monitoring and evaluation of IDP.

## CHAPTER 2



## **POLITICAL AND ADMINISTRATIVE GOVERNANCE**

Mtubatuba Local Municipality was established in terms of the new dispensation it is a grade 3 municipality. The municipality operates within the plenary system and has 19 wards.

Governance comprises of both political and management governance and in addition intergovernmental relation, public participation and accountability. Political structure is responsible for executive and legislative powers and functions in terms of the constitution as well as relevant National and provincial legislations. Administration structure is responsible for cooperative governance and administration of the affairs of municipality.

### **INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE**

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

The Municipality has all the powers assigned to it in terms of the Constitution as well as relevant National and Provincial legislation. The municipality has the authority to take any possible actions to effectively exercise powers assigned to it. The overall executive and legislative authority vests in Council. The Council must, therefore take all the major decisions of the municipality.

The Municipal Systems Act, Act 32 of 2000 (Section 2) states that a municipality is constituted by its political structures, municipal administration and its community. Mtubatuba Municipality is therefore structured as follows:

## **Political Governance Structures**

- Municipal Council
- Municipal Public Accounts Committee (MPAC)

## **The Municipal Administration**

The Administration comprises of the Office of the Municipal Manager and 5 Directorates, however the position of the Planning and Development Services' position is vacant.

## **Community Structures**

- Ward Committee

### **2.1 POLITICAL GOVERNANCE STRUCTURES**

Municipal elections take place every five years, the implication of this is that the composition of all the Municipality's political structures changed immediately prior to the commencement of the financial year.

The Municipality has all the powers assigned to it in terms of the Constitution as well as relevant National and Provincial legislations. The municipality has the authority to take any possible actions to effectively exercise powers assigned to it.

#### **2.1.1 THE MUNICIPAL COUNCIL**

The Mtubatuba Local Council political consists of 38 councillors of which 19 represent wards and the other 3 were proportionally elected on the basis of the proportion of votes cast for the respective parties.

The overall executive and legislative authority vests in Council. The Council therefore, takes all the major decisions of the municipality. If on any matter there is an equality on votes cast, the Speaker exercise a casting vote in addition to that of him being a Councillor.

**SITTING OF COUNCIL COMMITTEE  
MEETINGS – 2014/2015**

Month	Corporate Services Portfolio Committee Meetings	Technical Planning & Economic Development Portfolio Committee meetings	Finance Committee meetings	Community Services Portfolio meetings	Executive Committee Meetings	Council Meetings
July 2014	10 July 2014	03 July 2014	Meeting did not sit	24 July 2014	Meeting did not sit	Special Council meetings – 14 July 2014 & 22 July 2014
August 2014	06 August 2014	04 August 2014	Meeting did not sit	25 August 2014	Meeting did not sit	No scheduled meeting
September 2014	10 September 2014	03 September 2014	Meeting did not sit	Special Portfolio Committee meeting – 19 September 2014	02 September 2014 & 09 September 2014	30 September 2014 & Special Council meeting – 05 September 2014
October 2014	21 October 2014	Meeting did not sit	31 October 2014	Meeting did not sit	27 October 2014	Special Council meeting – 20 October 2014
November 2014	Meeting did not sit	06 November 2014	Meeting did not sit	06 November 2014	20 November 2014	No scheduled meeting
December 2014	Meeting did not sit	Meeting did not sit	Meeting did not sit	Meeting did not sit	10 December 2014	12 December 2014 & Special Council meeting – 02 December 2014

**MAYOR AND COUNCIL COMMITTEE**

January 2015	Meeting did not sit	28 January 2015	Meeting did not sit	Meeting did not sit	Meeting did not sit	Special Council meeting – 15 January 2015 & 29 January 2015
February 2015	Council was dissolved	Meeting did not sit	Council was dissolved	Council was dissolved	Council was dissolved	Special Council meeting – 02 February 2015
March 2015	Council was dissolved	Council was dissolved				
April 2015	Council was dissolved	Council was dissolved				
May 2015	Council was dissolved	Inaugural meeting – 21 May 2015 & Special Council meeting – 29 May 2015				
June 2015	Meeting did not sit	Meeting did not sit	Meeting did not sit		Special Exco – 03 June 2015	Special Council meeting – 10 June 2015
<b>TOTAL</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>13</b>

## Roles and Responsibilities

OFFICE BEARER	FUNCTION
<p><b>MAYOR</b> Cllr I F Nyawo</p>	<p><i>a) A mayor is entitled to receive reports from committees of the municipal council and to forward these reports together with a recommendation to the council when the matter cannot be disposed of by the mayor in terms of the mayor's delegated powers.</i></p> <p><i>(b) The mayor must—</i></p> <p><i>(1) identify the needs of the municipality;</i></p> <p><i>(2) review and evaluate those needs in order of priority;</i></p> <p><i>(3) recommend to the municipal council strategies, programmes and services to address priority needs through the integrated development plan, and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans; and</i></p> <p><i>(4) recommend or determine the best way, including partnership and other approaches to deliver those strategies, programmes and services to the maximum benefit of the community.</i></p> <p><i>(c) The mayor in performing the duties of office, must—</i></p> <p><i>(1) identify and develop criteria in terms of which progress in the Implementation of the strategies, programmes and services referred to in subsection (b)(3) can be evaluated, including key performance indicators which are specific to the municipality and common to local government in general;</i></p> <p><i>(2) evaluate progress against the key performance indicators;</i></p> <p><i>(3) review the performance of the municipality in order to improve—</i></p> <p><i>(i) the economy, efficiency and effectiveness of the municipality;</i></p> <p><i>(ii) the efficiency of credit control and revenue and debt collection services; and</i></p> <p><i>(iii) the implementation of the municipality's by-laws;</i></p> <p><i>(4) monitor the management of the municipality's administration in accordance with the directions of the municipal council;</i></p> <p><i>(5) oversee the provision of services to communities in the municipality in a sustainable manner;</i></p> <p><i>(6) perform such duties and exercise such powers as the council may delegate to the mayor in terms of section 59 of the Systems Act;</i></p> <p><i>(7) annually report on the involvement of communities and community organisations in the affairs of the municipality; and</i></p> <p><i>(8) ensure that regard is given to public views and report on the effect of</i></p>

	<p><i>consultation on the decisions of the council.</i></p> <p><i>(d) The mayor must perform a ceremonial role as the municipal council may determine.</i></p> <p><i>(e) The mayor must report to the municipal council on all decisions taken by the mayor.</i></p>
Municipal Public Accounts Committee	To monitor good governance where there is optimal utilisation of municipal resources to enhance and sustain service delivery and financial management.

### 2.1.2 Audit Committee

The Municipal Finance Management Act, Act 56 of 2003 (MFMA) requires municipalities to have an

Audit committee Sections 166 (1) and (2) sets out the functions of an audit committee;

1) *“An audit committee is an independent advisory body which must –*

*a) Advise the council, political office bearers, the accounting officer and the management staff*

*of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity on matters relating to –*

*i. Internal financial controls and internal audits*

*ii. Risk management*

*iii. Accounting policies*

*iv. The adequacy, reliability and accuracy of financial reporting and information*

*v. Performance management*

*vi. Effective governance*

*vii. Compliance with the Act, the annual Division of Revenue Act and any other applicable legislation*

*viii. Performance evaluation; and*

*ix. Any other issues referred to it by the municipality or municipal entity*

*b) Review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;*

*c) Respond to council on any issues raised by the Auditor-General in the audit report;*

*d) Carry out investigations into the financial affairs of the municipality as the council may request;*

e) *Perform such other functions as may be prescribed*”;

Section 40 of the Municipal Systems Act, Act 32 of 2000 requires municipalities to establish mechanisms to monitor and review their performance. The Local Government Municipal Planning and Performance Management Regulations, 2001 (GNR 796 of 24 August 2001) requires municipalities to establish a performance audit committee for this purpose. The functions of the performance audit committee are as follows:

*(i) review the quarterly reports submitted to it by the internal auditors, dealing with quarterly reports, which the internal auditors are required to submit to the municipal manager and the performance audit committee;*

*(ii) review the municipality’s performance management system and make recommendations in this regard to the council of that municipality; and*

*(iii) at least twice during a financial year submit an audit report to the municipal council concerned.*

*(b) In reviewing the municipality’s performance management system in terms of (a)(ii), the performance audit committee must focus on economy, efficiency and effectiveness and impact in so*

*far as the key performance indicators and performance targets set by the municipality are concerned.*

*(c) A performance audit committee may –*

*(i) communicate directly with the council, municipal manager or the internal and external auditors of the municipality concerned;*

*(ii) Access any municipal records containing information that is needed to perform its duties or exercise its powers;*

*(iii) request any relevant person to attend any of its meetings, and, if necessary, to provide information requested by the committee; and*

*(iv) investigate any matter it deems necessary for the performance of its duties and the exercise of its.*

#### **AUDIT COMMITTEE**

<b>Name of Member</b>	<b>Capacity</b>	<b>Meeting Dates</b>
Ms N Mchunu	Chairperson	17 March 2015
Ms N Mzimela	Member( Resigned)	07 April 2015
Mr D Mncwabe	Member	25 May 2015
Mrs C Jugnarayan	Member	

## 2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the Head of the Administration and Accounting Officer of the Municipality, and is primarily responsible for service delivery. The administration comprises the Office of the Municipal Manager and 5 Directorates namely Corporate Services, Technical Services, Community Services, Financial Services Directorate and Planning and Development. The Municipal Managers office comprises the Strategic Manager and the Head Internal Audit and the Area Managers.

The functions of the Municipality are set out in Section 156, read together with Schedules 4B and 5B of the Republic of South Africa Constitution Act, Act 108 of 1996. Section 84 of the Municipal Structures Act, Act 117 of 1998 regulates the division of these functions between the District and Local Municipality.

Mtubatuba municipality administration structure led by the Municipal Manager, comprises of

<b>Directorate</b>	<b>Title, Name and Designation</b>	<b>Functions</b>

five (5) departments.

<p><b>Office of Municipal Manager(Acting)</b></p>	<p><b>Mr SR Mathobela Municipal Manager</b></p>	<p>The functions and responsibility of the Municipal Manager are contained in Section 55 of the Local Government Municipal Systems Act, Act 32 of 2000:  <i>“(1) As head of administration the municipal manager of a municipality is, subject to the policy directions of the municipal council, responsible and accountable for:</i>  <i>(a) the formation and development of an economical, effective, efficient and accountable administration</i>  <i>(i) equipped to carry out the task of implementing the municipality’s integrated development plan in accordance with Chapter 5:</i>  <i>(ii) operating in accordance with the municipality’s performance management system in accordance with Chapter 6; and</i>  <i>(iii) responsive to the needs of the local community to participate in the affairs of the municipality;</i>  <i>(b) the management of the municipality’s administration in accordance with this Act and other legislation applicable to the municipality:</i>  <i>(c) the implementation of the municipality’s integrated development plan, and the monitoring of progress with implementation of the plan:</i>  <i>(d) the management of the provision of services to the local community in a sustainable and equitable manner;</i>  <i>(e) the appointment of staff other than those referred to in section 56, subject to the Employment Equity Act, 1998 (Act No. 55 of 1998);</i>  <i>(f) the management, effective utilisation and training of staff</i>  <i>(g) the maintenance of discipline of staff</i>  <i>(h) the promotion of sound labour relations and compliance by the municipality with applicable labour legislation;</i>  <i>(i) advising the political structures and political office bearers of the municipality</i>  <i>(j) managing communications between the municipality’s administration and its political structures and political office bearers:</i>  <i>(k) carrying out the decisions of the political structures and political office bearers of the municipality;</i>  <i>(l) the administration and implementation</i></p>
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		<p><i>of the municipality's by-laws and other legislation;</i></p> <p><i>(m) the exercise of any powers and the performance of any duties delegated by the municipal council, or sub-delegated by other delegating authorities of the municipality, to the municipal manager in terms of section 59;</i></p> <p><i>(n) facilitating participation by the local community in the affairs of the municipality;</i></p> <p><i>(o) developing and maintaining a system whereby community satisfaction with municipal services is assessed;</i></p> <p><i>(p) the implementation of national and provincial legislation applicable to the municipality; and</i></p> <p><i>(q) the performance of any other function that may be assigned by the municipal council.</i></p> <p><i>(2) As accounting officer of the municipality the municipal manager is responsible and accountable for—</i></p> <p><i>(a) all income and expenditure of the municipality;</i></p> <p><i>(b) all assets and the discharge of all liabilities of the municipality; and</i></p> <p><i>(c) proper and diligent compliance with applicable municipal finance management legislation”;</i></p>
<p><b>Financial Services</b></p>	<p><b>Vacant Chief Financial Officer</b></p>	<p>The Chief Financial Officer is responsible for all financial management and processes in the municipality and includes the following components:</p> <ul style="list-style-type: none"> <li>• Valuation roll</li> <li>• Asset management</li> <li>• Supply chain management and procurement</li> <li>• Financial system development</li> <li>• Statutory reporting</li> <li>• Credit control</li> <li>• Payroll</li> <li>• Budget and Treasury Office</li> <li>• Financial Statements.</li> </ul>

<p><b>Planning, Development and Technical Services</b></p>	<p><b>Vacant</b></p>	<p>The Accounting Officer may in terms of S 77 of the MFMA delegate any of the powers or duties assigned to an Accounting Officer:</p> <ul style="list-style-type: none"> <li>• Planning – IDP</li> <li>• Local Economic Development – business plans to secure funding.</li> <li>• Service Delivery – Operational and strategic in terms of planning.</li> <li>• Building control</li> </ul>
<p><b>Corporate Services</b></p>	<p><b>Ms N Dladla Corporate Service Director</b></p>	<ul style="list-style-type: none"> <li>• Human resource management</li> <li>• To build a transparent administrative body capable of achieving transparency and integrity whilst addressing employment equity and affirmative action</li> <li>• To promote skills development throughout the administration structure</li> <li>• Information and Communications Technology;</li> <li>• Administration and Auxiliary Services;</li> <li>• Legal Services;</li> </ul>
<p><b>Community Services</b></p>	<p><b>Mr M E Sithole Community Services Director</b></p>	<p>Responsible for the operations and performance in the following sections:</p> <ul style="list-style-type: none"> <li>• Facilitate community involvement in terms of consultative processes</li> <li>• Sports &amp; Recreation,</li> <li>• Arts &amp; Culture;</li> <li>• Social and Community Development;</li> <li>• Library Services;</li> <li>• Facility Management.</li> <li>• Traffic Law Enforcement;</li> <li>• Disaster Management</li> </ul>

<p><b>Technical and Infrastructure Development</b></p>	<p><b>Mr S W Cele</b></p>	<p>The Technical Services Directorate is responsible for the following:</p> <ul style="list-style-type: none"> <li>• Construction and maintenance of roads and storm water within the municipality's jurisdiction</li> <li>• Refuse removal, solid waste disposal, landfill sites and street cleaning</li> <li>• Maintenance of Council buildings</li> <li>• Maintenance of municipal parks, public open spaces</li> <li>• Maintenance and expansion of municipal cemeteries.</li> </ul>
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**INTERGOVERNMENTAL RELATIONS**

Section 3 of the Municipal Systems Act, Act 32 of 2000 requires municipalities to exercise their executive and legislative authority within the constitutional system of co-operative government envisaged in section 41 of the Constitution.

**2.3 INTERGOVERNMENTAL RELATIONS**

The Municipality strives to participate in as many of the available structures and forums as possible. The Municipality participates in National, Provincial and District Intergovernmental forums and District Mayor’s Forum structures.

The Inter-governmental Relations Framework Act, (Act No 13 of 2005), requires all spheres of government to coordinate, communicate, align and integrate service delivery effectively, to ensure access to services. In this regard the Municipality complies with the provisions of the Act.

Cooperative governance is on the arrangement entered into by spheres of government with the objective of fast tracking service delivery within the Constitutional mandate thereof: The following forums have been established within the province to ensure effectiveness of intergovernmental relations.

- Mayor’s forum
- Municipal Manager’s Forum
- Chief Financial Officer’s Forum
- Technical Support Forum

- Infrastructure Forum
- Planning and Development Forum
- Community & Social Services Forum

The above forums are established to share best practices among others and to ensure compliance. These forums focus mainly on issues of progressive governance and unblocking bottleneck within certain spheres, hence such forums must be attended to check and report on service delivery. Once these forums are successful, service delivery will be achieved and we will have communities that are happy.

## **PUBLIC ACCOUNTABILITY AND PARTICIPATION**

The Constitution (Section 152) sets out the objects of local government, one of which is the provision of democratic and accountable government to local communities. This is reiterated by Section 15 (b) of the Municipal Systems Act which requires a municipality to establish and organise its administration to facilitate and a culture of accountability amongst its staff.

A second constitutional objective is the encouragement of local communities and community organisations in the matters of local government. This is reiterated by the Chapter 4 of the Municipal Systems Act, Act 32 of 2000 which deals exclusively with community participation. A Municipality is required to develop a culture of community participation and develop a system of participatory municipal governance that compliments formal representative governance. The municipality is also required to supply its community with information concerning municipal governance, management and development.

### **2.4 PUBLIC PARTICIPATION**

Public participation is defined as an open, accountable process through which individuals and groups within selected communities can exchange views and influence decision-making. It is further defined as a democratic process of engaging people, deciding, planning, and playing an active part in the development and operation of services that affect their lives. Our primary public participation mechanisms are our Ward Committees and public meetings.

The biggest challenge lies in improving the participation of our community in all aspects of municipal governance. The Municipality is in a process of developing a Communication Policy with a view of accelerating and improving Public Participation.

In terms of chapter 4, section 16 and chapter of the Municipal Systems Act no. 32 of 2000, the municipality is required to involve the community in all municipal affairs. The municipality ensures that its communities are informed; consulted and engaged.



*Budget and IDP community meeting*

#### **2.4.1 PUBLIC MEETINGS**

The municipality utilise the following mechanisms for public participation which are articulated in the IDP Process Plan:

- Media – Radio Slot and Publications
- Website – posting of strategic documents in terms of section 75 of the MFMA
- IDP Representative Forum, a forum for all stakeholders to deliberate on development
- Road shows, a district-wide IDP/Budget road shop will be hosted in April to engage communities on Draft IDP and Budget IDP
- Budget and Performance Management

The extent to which the community understand the above mentioned issues has not reach a level where the municipality will conclude in saying that public participation is at an adequate level. Some of the communities over a long period engagement with the municipality are

beginning to understand some of the development issues, but majority still do not understand.

Public meetings are beneficial to the municipality because of the following:

- Dissemination of information,
- Community participation in the development of municipal plans,
- IDP/Budget inputs,
- Being aware of the concerns of residents,
- Providing clarity on issues and accountability of the municipality to its residents

#### **2.4.2 WARD COMMITTEES**

Ward Committees are statutory committees established in terms of Part 4 of Chapter 4 of the Local Government Municipal Structures Act, Act 117 of 1998. Ward committees play a vital role in bridging the gap between the Community and the Municipality. Ward Committees are not political but are nevertheless elected for a period of five years that runs concurrently with the term of office of the Municipal Council.

Challenges associated with Ward Committees which will have to be addressed include;

- A lack of diversity of representation on some Ward Committees
- Some ward Committees do not have their full complement of members, which is easily rectifiable in urban wards but a major challenge in Ward 5 which is a predominantly rural ward
- Training of our Ward Committee members. The Province has indicated that they will assist with this in the new financial year.
- Enhancing the credibility and accountability of Ward Committee Members

#### **2.5 IDP PARTICIPATION AND ALIGNMENT**

The following table provides an overview of the alignment of our IDP to the criteria as set out in Section 26 of the Municipal Systems Act.

<b>IDP Participation and Alignment Criteria*</b>	<b>Yes/No</b>
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## **CORPORATE GOVERNANCE**

Corporate Governance is the set of processes, practices, policies, laws and relationships affecting the Manner in which an institution is directed, administered or controlled.

### **2.6 AUDIT UNIT**

The Municipality has the Internal Audit Unit as required by Section 165(1) of the MFMA and an Internal Auditor who reports to the Municipal Manager, however this unit is outsourced.

Section 165 (2) of the MFMA requires the Internal Auditor to;

- a) prepare a risk-based audit plan and an internal audit program for each financial year;*
- b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—*
  - i. internal audit;*
  - ii. internal controls;*
  - iii. accounting procedures and practices;*
  - iv. risk and risk management;*
  - v. performance management;*
  - vi. loss control; and*
- c) perform such other duties as may be assigned to it by the accounting officer”.*

The Internal Auditor drives the Risk Committee, Audit Committee, and Performance Committee as well as Anti-corruption, The Fraud and Ethics Committee oversee and monitor clean corporate governance.

### **2.7 RISK MANAGEMENT**

Section 62(i) (c) of MFMA requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

Risks are identified during the annual strategic planning session of the Council and Senior Management, Committee Meetings. Risks are populated in a template to indicate the risk level.

1. **Environmental Risks:** Non implementation of Land Use Management System. This is due to lack of funds; community resistance to change; land being privately owned and lack of capacity.
2. **Environmental Risks:** Inability to collect and dispose waste timeously; Lack of capacity. Lack of registered waste management site. Lack of integrated Waste Management Plan.
3. **Financial Management & Revenue Enhancement:** Inability to collect Municipal revenue; lack of capacity; low revenue base and high level of indigent community.
4. **Financial Management:** Supply Chain Management Ineffective implementation of Supply Chain Management processes due to lack of effective internal controls, abuse of emergency purchases, Interference in Supply Chain Management processes and absence of a Procurement Plan.
5. **Economic Development;** Inability to attract and retain investments and tourism due to lack of an updated Local Economic Development Strategy, lack of an updated Tourism Strategy, failure by the District Municipality to extend water and sanitation infrastructure and high crime rate.

## CHAPTER 3

### BASIC SERVICE DELIVERY



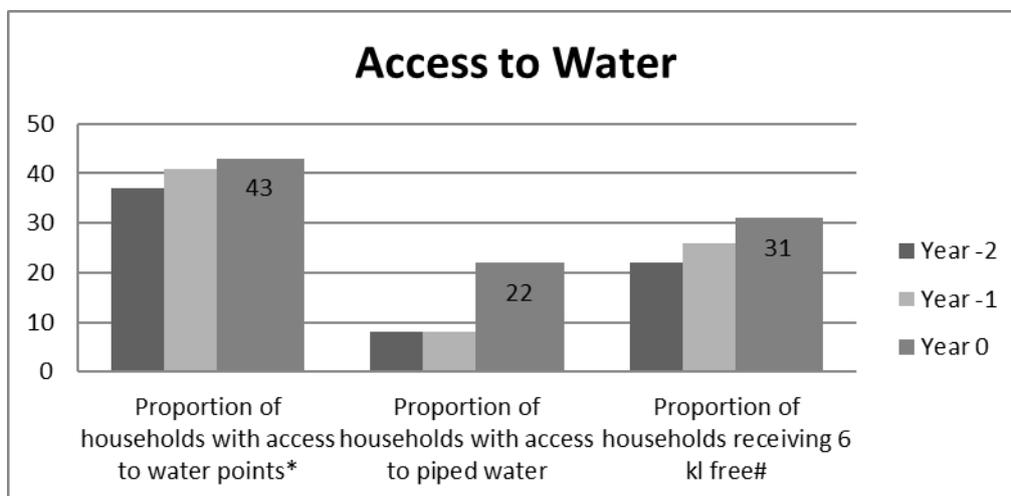
## INTRODUCTION TO SERVICE DELIVERY

This Chapter provides an overview of the service delivery performance of the Municipality for the 2014/15 financial year, and includes basic service delivery, roads and storm water, planning and development, community services, environmental protection, safety and security, sport and recreation and corporate services. The Chapter concludes with the Municipality's Annual Performance Report which was compiled in terms of Section 46 of the Municipal Systems Act, Act 32 of 2000. It sets out the Key Performance Indicators (KPI), targets and actual performance of the Municipality in relation to the Key Performance Areas (KPA) of local government and the strategic objectives of the Municipality as set out in the Integrated Development Plan (IDP).

Basic services are a package of services necessary for human well-being and typically include water, sanitation, and electricity and refuse removal. This section of the Annual Report will also deal with human settlement (housing) which differs from the aforementioned services in that it is a Provincial competence. It is included as there is a direct correlation between the provision of basic services and housing. Basic services to households are defined as an electricity connection at the dwelling, a public standpipe for water within 200m of the dwelling, and a ventilated pit latrine (VIP) for sanitation. National policy also requires that poor households should receive 50kWh of free basic electricity, 6 kl of free basic water and free weekly refuse removal. The Municipality has been providing basic services in accordance with these minimum prescribed levels.

### 3.1. WATER PROVISION

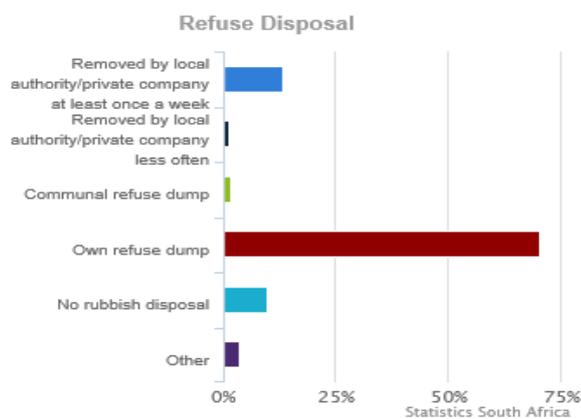
The Municipality is not a Water Services Provider in terms of the Water Services Act, Act 108 of 1997, hence the service is rendered by UMkhanyakude District municipality.



Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
Year -2	37	8	22
Year -1	41	8.2	26
Year 0	43	22	31

### 3.2 SOLID WASTE SERVICE DELIVERY

The graph below indicates that refuse removed by the municipality is approximately 13.3% and own refuse is at 68%.



- **ECONOMIC DEVELOPMENT**

- The Mtubatuba Local municipality is located in Umkhanyakude district which is one of the poorest and poverty stricken district municipalities in KwaZulu-Natal. However, the municipal area has enjoyed a number of economic resources that could be utilized to stimulate economic growth and development required in the area.

- **ROAD AND TRANSPORT INFRASTRUCTURE ANALYSIS**

- The Municipality has a short supply of good all weather roads. This restricts the provision of some services such as waste removal. In addition, access to economic opportunities is also limited.
- The following projects were completed in 2014/15 financial year:
  - KwaMsane road resurfacing phase 2
  - Phola park gravel road
  - Hlazane to Ntondweni access road
  - Somkhele sportsfield phase 1
  - Nkundusi Electrification project



## ORGANISATIONAL SCORECARD

REF.	OBJECTIVE	STRATEGIES	PROJECT	KPI	ANNUAL TARGET	TOTAL BUDGET	BUDGET YEAR 2014//15								RESPONSIBLE DEP.	
							1 <sup>ST</sup> QUARTER - July - Sept		2 <sup>ND</sup> QUARTER - Oct - Dec		3 <sup>RD</sup> QUARTER - Jan - Mar		4 <sup>TH</sup> QUARTER - Apr - Jun			
							TARGET	BUDGET	TARGET	BUDGET	TARGET	BUDGET	TARGET	BUDGET		
001	Promote an effective and efficient personnel planning and administrative function	Develop and implement the approved organogram	Review and implement organogram	Number of critical post filled	Council approved organogram by 30 September 2014		Review organogram and present it to Corporate Portfolio, EXCO and Council	-		-		-		-		Corporate services
002	Promote	Review and	Training the staff	Number	At least		01		15	90	01	40			Corporate	

an effective and efficient personnel planning and administrative function	implementation of the WSP implementation of study Assistance Policy	members according to WSP distribution of Skills Audit forms	of staff members trained	50% of the total staff establishment	300 000.00	employee enrolled on motor vehicle Examiners course, 01 employee enrollment on Driving License Examiners (Gr F), 10 employees trained on Chainsaw operation, one employee trained on ODETDP, 02 employees enrolled for MFMP minimum competency, Training	160 000.00	Employees trained on End-user computer training, 03 employees trained on public participation, 05 employees trained on IDP, 04 employees trained on advance excel, 15 employees trained on records	000.00	employee trained on HRM, 01 employee trained on disaster management	000.00	Compiling annual training report for submission to LGSETA	-	services
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							of 12 LLF members & 09 employe es trained on Report writing, 17 personne l trained on PMS, 05 employe es trained on project manage ment, 04 employe es enrolled on traffic officers course							
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003		Appointment of an accredited service provider to conduct Skills audit RPL 10 employees	Number of skills audit questionnaires	10 employees RPL'd on their fields	200,000 (from 770,000)	-	-	Making requisition to SCM for the appointment of service provider to conduct organization-wide skills audit and RPL 10 employees	150 000.00	Communicating with service provider on the progress report for filling WSP for 2015/2016	n/a	Submission of 2015/16 WSP to LGSETA	n/a	Corporate services
004		Awarding of study assistance	Number of employees awarded assistance	4 employees awarded study assistance	200 000.00	-	n/a	Identification of critical scarce skills and issuing of notices	n/a	Awarding of study assistance to employees	200 000.00	Monitoring employees progress	n/a	Corporate services
005	Implementation of In-service training policy	Admission of students for In-service training	Number of students admitted for in-service training	Admission of 8 students for in-service training	360 000.00	Admission of 2 In-service trainees per department	50 400.00	Managing admitted in-service trainees	50 400.00	Managing admitted In-service trainees	50 400.00	Managing admitted In-service trainees	50 400.00	Corporate services
	Management of staff to ensure productivity and accountability	Administration of employees leave registers	Updated leave register	Monthly	n/a	3 monthly leave registers	n/a	3 monthly leave registers	n/a	3 monthly leave registers	n/a	3 monthly departmental leave	n/a	Corporate services

006	Promotion of sound employee relations and Labour stability	Management of staff to ensure productivity and ensure job satisfaction Human capital management	MANCO meetings	Number of meetings held. Number of meetings held Number of reports submitted	24 MANCO meetings	-	6 meetings	-	6 meetings	-	6 meetings	-	6 meetings	-	MM
007			Extended MANCO meetings		12 MANCO meetings	-	3 meetings	-	3 meetings	-	3 meetings	-	3 meetings	-	MM
008			Departmental staff meeting		20 meetings	-	5 meetings	-	5 meetings	-	5 meetings	-	5 meetings	-	All departments
009		Human capital management	General staff meetings		4 Meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	All departments
010			Manage leave and overtime		12 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	-	All departments
011		Coordinate the sitting of Local Labour Forum Meeting on quarterly basis	Number of LLF meetings held	4 LLF meetings	NIL	1 LLF meeting	n/a	1 LLF meeting	n/a	1 LLF meeting	n/a	1 LLF meeting	n/a	Corporate services	
012	Promotion	Development	Appointment of a	Number	Approval	120,	Make		Commun	n/a	Distributing	n/a		n/a	Corporate

	n and Implement effective and efficient recruitment and retention measures	of retention strategy for employees in scarce & critical skills	service provider to develop a credible retention strategy	of document produced	of retention strategy by 31 December 2014	000 (from 770000)	requisition for appointment of service provider to develop credible retention strategy. Engaging with service provider on the municipal expectation	120 000.00	icating with appointed service provider on the progress presentation of strategy to LLF and Corporate portfolio, Tabling in the council meeting for approval.		the official document to all HODs		-		e services Dept.
013	Promote and implement effective and efficient recruitment and retention measures	Monitoring of the council approved employment equity plan	Sensitizing management of the council approved EEP targets during recruitment and selection processes	Number of new recruits from designated group	Monthly reports	n/a	Prepare departmental gender demographics and income differentials	n/a	Ongoing monitoring	n/a	Ongoing monitoring	n/a	Ongoing monitoring	n/a	Corporate services
014	Promotio	To	Compilation and	Number	EE report	n/a	Compilati	n/a	Submissi	n/a	-	n/a		n/a	Corporat

	n of employee efficiency and accountability	implement human capital systems and processes to enhance staff alignment to business needs and to improve staff moral and performance	submission of annual EE report to DoL	of reports produced	by 01 Oct. 2014		on of EE report for submission to DoL		on of EE report to DoL			-		e services	
015			Procurement of additional clocking systems for satellite offices	Number of clocking machines systems procured	2 clocking machines by 30 Sept. 2014	150 000.00	Submission of requisition for SCM for supply and installation of 2 additional clocking systems	150 000.00	Maintenance of the existing clocking machines	10 000.00	Maintenance of the existing clocking machines	n/a	-	n/a	Corporate services
016	Promotion of employee efficiency and accountability	Implementation of an electronic Filing system	Appointment of service Provider to install and train staff on Electronic Filing system	Updated asset register	31-Dec-14	150,000 (from 770 000)	Submission of requisition for SCM for appointment of service Provider	150 000.00	Implementation of electronic filing system in registry and staff hand-on training	n/a	-	n/a	-	n/a	Corporate services
017		Creation of positive corporate image	Procurement of stamps and couriers services	Number of stamps and couriered documents	Monthly	35 000.00	Procurement of stamps and documents couriered	8 750.00	Procurements of stamps and documents couriered	8 750.00	Procurements of stamps and documents couriered	8 750.00	Procurements of stamps and documents couriered	8 750.00	Corporate services

018	Creation of positive corporate image	Procurement of office furniture	Updated asset register	31-Mar-15	300 000.00	Procurement of office furniture for new employee	200 000.00	Replacement of broken office furniture	100 000.00	-	30 000.00	-	n/a	Corporate services
019		Procurement of computer equipment	Updated asset register	31 September 2014	160 000.00	Procurement of Laptops for manager : O & M; Manager : Building and Housing Inspectorate; and GM : Corporate	35 000.00	Procurement of computer equipment	50 000.00	Procurement of computer equipment	60 000.00	Procurement of computer equipment	15 000.00	Corporate services

020		Procurement of Administrative double cab bakkies to deliver agendas and used for administrative trips such as transporting personnel to and from trainings/workshop delivering urgent documents	Updated asset register	31-Mar-15	300 000.00	Submit requisition with specification to SCM for procurement of a Bakkie	n/a	-	300 000.00	Delivery and registration under municipal name	n/a	-	n/a	Corporate services
021		Procurement of Franking Machine, 2 water dispensers, heavy duty binding machine, recording machine and projector	Number of office equipment procured	31-Dec-14	317 200.00	Procurement of office equipment - Recording machine and mounted projector	120 000.00	Procurement of 2 water dispensers, heavy duty binding machine	100 000.00	Procurement of franking machine	97 000.00	-	n/a	Corporate services

022	To provide an enabling environment for effective service delivery and efficient administration	Procurement of stationery	Number of stationery procured	Monthly	200 000.00	Procurement of boxes, binding combs, paperclips, staplers, staples, clear paper, accessible files	40 000.00	Procurement of stationery	53 300.00	Procurement of stationery	53 300.00	Procurement of stationery	53 400.00	Corporate services
023	Provide equipment and facilities for effective administration	Maintain service of photocopying machines and air conditioners	Number of monthly reports submitted	12 Reports	1 177 000.00	3 Reports	294 412.00	3 Reports	294 412.00	3 Reports	294 412.00	3 Reports	294 412.00	Finance
024		Publication of public notices and recruitment adverts	Number of adverts published	Monthly	250 000.00	Publication of public notice and adverts	62 500.00	Publication of public notice and adverts	62 500.00	Publication of public notice and adverts	62 500.00	Publication of public notice and adverts	62 500.00	Corporate services
025	Promotion of a hygienic and conducive working environment	Servicing of fire extinguishers in all municipal offices	Number of fire extinguishers serviced and number of extinguishers procured	31-Dec-14	50 000.00	Appointment of service provider to service all fire extinguishers	50 000.00	Submission of service certificates	n/a	-	n/a	-	n/a	Corporate services

026		Procurement of cleaning equipment and chemicals	Number of goods procures	Quarterly	250 000.0 0	Procurement and distribution of cleaning equipment and chemicals for all department	62 500. 00	Procurement and distribution of cleaning equipment and chemicals for all departments	62 500.00	Procurement and distribution of cleaning equipment and chemicals for all departments	62 500.00	Procurement and distribution of cleaning equipment and chemicals for all departments	62 500. 00	Corporate services
027		Procurement of protective clothing for general workers, supervisors and Law enforcement officials	Number of uniform procured	31-Aug-14	350 000.0 0	Furnish the current contracted service provider with the revised schedule of all General Workers protective clothing sizes. Submit requisition with Spec to SCM to Law enforcement officials	350 000. 00	-	n/a	-	n/a	-	n/a	Corporate services

						uniform								
028		Refurbishment of ablution facilities in the main office, the workshop, redesign redemption area and installation of Tender boxes		31 Dec. 2014	500 000.00	Submit requisition with specification to SCM for appointment of service provider	300 000.00	Monitoring progress	200 000.00	-	n/a	-	n/a	Corporate services
029		Appointment of service Provider to supply and service sanitary equipment in restrooms	Number of restrooms serviced	31-Mar-15	35 000.00	-	n/a	Submit requisition with TOR to SCM for the	n/a	Supply and installation of sanitary equipment	25 000.00	Monthly servicing	10 000.00	Corporate services

									appointment of service provider to supply and service sanitary equipment						
<b>KPA 2: SERVICE DELIVERY &amp; INFRASTRUCTURE DEVELOPMENT</b>															
030	To ensure the provision of service in a sustainable and equitable manner	Develop a Comprehensive Infrastructure Plan	Comprehensive Infrastructure Plan	Comprehensive Doc	Council Adopted Comprehensive	500 000.00	Visual Assessment	-	Data Collection & Desktop	150 000.00	Draft CIP Doc	100 000.00	CIP Doc	250 000.00	Technical services
031		Provision of Transportation	Vehicles	Number	2	500 000.00	Procurement Process & Delivery	500 000.00	-	-	-	-	-	-	Technical services
032		Provision of Plan & Equipment	Rental of plant & Equipment	Km	200	500 000.00	Plant on Site	150 000.00	Plant on Site	150 000.00	Plant on Site	100 000.00	Plant on Site	100 000.00	Technical services
033		Repairs & maintenance Stormwater management	R&M: Stormwater Urban Roads	No. Of Catch Pits & Drains (meters)	30 Catch Pits	1 300 000.00	Visual Assessment & Specifications	-	On Site Repairs	500 000.00	On Site Repairs	500 000.00	On Site Repairs	300 000.00	Technical services

034	Repairs & maintenance Stormwater management	R&M: Urban Roads (Pothole Patching)	M2	3000 M2	5 000 000.00	Specification & Repairs	1 000 000.00	On Site Repairs	1 500 000.00	On site repairs	2 500 000.00	On site repairs	2 500 000.00	Technical services
035	Repairs & Maintenance of street lights	R&M Street Lights	Number	200	400 000.00	On site Repairs	200 000.00	On site Repairs	200 000.00	-	-	-	-	Technical service
036	Repairs & maintenance of Office Building	KwaMsane office refurbishment	No. Of offices	4	350 000.00	Specification, Quotation, Repairs	200 000.00	Repairs	150 000.00	-	-	-	-	Technical service
037	Engage and support the district and other service agencies in implementation of projects	Quarterly meetings with UKDM technical services	No. Of meetings (Agenda & minutes)	4	-	1st meeting with UKDM	-	2nd meeting with UKDM	-	3rd meeting with UKDM	-	4th meeting with UKDM	-	Technical service
038	Functionality of PMU	PMU Capacitation: Data capture, Programme coordinator & Technical	Number	3 Post filled	1 477 200.00	advertisement & Shortlisting	-	Appointment	-	Assumption of duties	-	-	-	Technical service
		PMU Bakkie	Number	1		Vehicle Spec & RFQ	5 000.00	Vehicle delivery	250 000.00	-	-	-	-	Technical service

039		Upgrade Rehabilitation of Urban Roads (Blacktop/Resurfacing)	Mtubatuba Urban Roads rehabilitation/resurfacing	Number	9.5 km	15 000 000.00	Project design tender	5 000 000.00	Contract or appointed & site establishment	5 000 000.00	Construction (4.7 km achieved)	3 000 000.00	Practical completion certification (4.8 km achieved)	2 000 000.00	Technical service
040		Rural roads construction/betterment & Regravelling	Mtubatuba Local Access Road Upgrade/Construction/Betterment & regravelling	Number	7.5 km	8 000 000.00	Project design Tender	750 000.00	Construction appointment & site establishment	1 450 000.00	Construction (3.8 km achieved)	1 650 000.00	Practical completion certificate (3 Halls 100% complete)	300 000.00	Technical service
041		Community Halls, pension pay point & Crèches	Khula hall - ward 03, mfekayi pay centre, Town Hall refurbishment	Number	2	5 600 000.00	project design tender	750 000.00	Constructor appointment & Site establishment	1 450 000.00	Construction (3 halls at 60% complete)	1 650 000.00	practical completion Certificate (3 halls 100% Complete)	1 750 000.00	Technical Services
042		Markets stalls	Zwenelisha Market, Ward 04	M2	100	1 000 000.00	project design tender	150 000.00	Constructor appointment & Site establishment	250 000.00	Construction	300 000.00	practical completion Certificate	300 000.00	Technical Services

043	Electrification programme	Pre- Feasibility Engineering Studies (KwaHhohho Ward 14, Ophaphasi Ward 13, Ophondweni Ward 17)	Approved Network Planning Report (Design) By Eskom	03 Planning reports	1 500 000.00	Prelim Assessment	750 000.00	Network planning report designs	750 000.00	-	-	-	-	Technical Services
044		Esibayeni ward 15, Hlezane ward 11, Nordale ward 5	Number	250	8 000 000.00	Project design tender	150 000.00	Constructor appointment & Site establishment	250 000.00	Construction	2 300 000.00	practical completion Certificate	2 300 000.00	Technical Services
045	Sport & recreation facilities	Mtubatuba Sport &recreational facilities (complex & sport fields)	Number	2	5 190 048.00	Project design tender	1 000 000.00	Constructor appointment & Site establishment	1 600 000.00	Construction ( 1st Sportfield/C complex)	1 390 000.00	practical completion Certificate	1 200 000.00	Technical Services
046		Provide and maintain existing infrastructure	Operations & Maintenance Plan (OMP)	Doc	OMP	-	Visual assessment	-	site Inspection	-	Draft OMP doc	-	OMP	-

047		Upgrade & rehabilitation of existing community structures	Maintenance of Norddale cemetery	Reports and Pictures	2 Quarterly reports	300 000.00	-	-	1 Quarterly report	300 000.00	-	-	-	-	Community
048	To ensure the provision of services in a sustainable and equitable manner		Maintenance of Sport Facilities	Reports	2 Quarterly reports	150 000.00	1 Quarterly report	37 500.00	1 Quarterly report	37 500.00	1 Quarterly report	37 500.00	1 Quarterly report	37 500.00	Community
049			Refurbishments of St. Lucia hall, KwaMsane & Norddale hall	3 halls refurbished	2 Quarterly reports	1 500 000.00	1 Quarterly report	1 200 000.00	1 Quarterly report	300 000.00	-	-	-	-	Community
050			Upgrading of waiting area at Traffic Section as per Transport standards	Reports and Pictures	1	150 000.00	1	150 000.00	-	-	-	-	-	-	Community
051			Maintenance of Community Facilities (halls & toilets)	Reports and Pictures	2	200 000.00	1	100 000.00	1	100 000.00	-	-	-	-	Community

052	To ensure the provision of services in a sustainable and equitable manner		Electricity charges for public facilities	Paid charges for public facilities	1	300 000.00	1	300 000.00	-	-	-	-	-	-	Community
053		Procurement of Vehicles:	Procurement of Vehicles:	Procured vehicle	1	500 000.00	1	250 000.00	-	-	-	-	-	-	Community
054			Waste management x 1 Bakkies	Procured vehicle	1		1	250 000.00	-	-	-	-	-	-	Community
055			Parks & gardens X 1 bakkie	Procured vehicle	2	500 000.00	-	-	2	500 000.00	-	-	-	-	Community
056			Municipal amenities X 1 bakkie	Procured vehicle	1	300 000.00	1	300 000.00	-	-	-	-	-	-	Community
057			Traffic section X 2 Sedan cars	Procured vehicle	1	500 000.00	1	250 000.00	-	-	-	-	-	-	Community
<b>KPA 3 : LOCAL ECONOMIC DEVELOPMENT</b>															

058	To create a conducive and enabling environment economic growth and development	Develop strategic partnership and alliance for economic development	Tourism awareness and environmental camp	Program and attendance registers	2	50 000.00	Successfully stage awareness and environment camp	25 000.00			Successfully stage awareness and environment camp	25 000.00			Technical services
59			LED Forum	Invitations & Agenda, & Attendance register	4	12 000.00	Host LED Forum	3 000.00	Host LED Forum	3 000.00	Host LED Forum	3 000.00	Host LED Forum	3 000.00	Technical services
60			CTO Support	CTO Reports on programme implementation	n/a	50 000.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Technical services
61			Tourism Forum	Invitation, Agenda, & Attendance register	2	6 000.00	Host Tourism	3 000.00	Send invitations and Agenda	-	Host Tourism Forum	3 000.00			Technical services

62		Showcase and promote economic development opportunities	Participate in at least one National Exhibition	Proof of attendance (Registers, programmes etc.)	1	15 000.00	-	-	-	submit requisition in preparation exhibition	-	Attending the exhibition	150 000.00	Technical services	
63			Host one (1 local exhibition)	Exhibition programme and attendance register	1	10 000.00	-	-	meeting with exhibitors and plenary	host exhibition	10 000.00	-	-	Technical services	
064	To create a conducive and enabling environment economic growth and development	Ensure implementation of LED projects	SMME support/capacity building	Business plan, programme, attendance registers	4	200 000.00	Implementation of 1 Tourism SMME workshop and assistance of 2 SMMEs	50 000.00	Implementation of 1 Tourism SMME workshop and assistance of 2 SMMEs	50 000.00	Implementation of 1 Tourism SMME workshop and assistance of 2 SMMEs	50 000.00	Implementation of 1 Tourism SMME workshop and assistance of 2 SMMEs	50 000.00	Technical services
065		Information centre upgrades	Procure computer and networking facilities	Delivery of assets	-	50 000.00	Procure computer and install networking	50 000.00	0	-	-	-	-	-	Technical services
066		EPWP programme	EPWP grant	no.	30	1 059 000.00	Beneficiaries on site	267 750.00	Beneficiaries on site	267 750.00	Beneficiaries on site	267 750.00	Beneficiaries on site	267 750.00	EPWP programme

067		Facilitate the provision of library services	Managing the functionality and operation of the library services	monthly statistical report and audio visuals, books and members HIP	Monthly reports	No financial implication	3 monthly reports	-	Community						
068		ensure the provision of public safety	Law enforcement	Reports on number of fines issued/paid	Monthly reports	No financial implication	3 monthly reports	-	Community						
069			Financial self-sustained project service department	% Increase revenue	Monthly reports	No financial implication	3 monthly reports	-	Community						
070		Protection of assets	Assets protection - cluster (ST Lucia)	Monthly reports	12 monthly reports	1 500 000.00	3 monthly reports	375 000.00	3 monthly reports	375 000.00	3 monthly reports	375 000.00	3 monthly reports	375 000.00	Community
071			Assets Protection - Cluster B Cluster C Cluster D	Monthly reports	12 monthly reports	4 752 000.00	3 monthly reports	1 188 000.00	3 monthly reports	1 188 000.00	3 monthly reports	1 188 000.00	3 monthly reports	1 188 000.00	Community

072	Promote cohesive social development	Engagement of other departments to ensure delivery of services for indigents	Participate and implement OSS and other social programmes	Number of function OSS structures	4 Quarterly reports		1 Quarterly reports		1 Quarterly reports		1 Quarterly reports		1 Quarterly reports		Executive
073		Establishment of functional forums for vulnerable groups	Vulnerable groups forums by Sep. 2014	Number of forums existing	4 Quarterly reports for forums	800 000.00	Quarter 1 report		Quarter 2 report		Quarter 3 report		Quarter 4 report		Executive
074		Formulation and Implementation of special programmes	100% Implementation of programmes by 30 June 2013	Number of vulnerable people assisted	implementation of special programmes as per business plan		Quarter 1 report	200 000.00	Quarter 2 report	200 000.00	Quarter 3 report	200 000.00	Quarter 4 report	200 000.00	Executive
075	<b>KPA (4) : GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEM</b>														
	To promote public participation in all Municipal affairs	Strengthen functioning of ward committees	Ward committee trainings		4 ward committee trainings	40 000.00	1 training	10 000.00	1 training	10 000.00	1 training	10 000.00	1 training	10 000.00	Executive
076			Ward committee meetings (monthly meetings)		228 meetings	1 140 000.00	57meetings	380 000.00	Executive						

077		Implement Public Plan/ Stakeholder engagement framework	Advertisements of Radio slots	Number of slots	12 radio slots	500 000.00	3 slots	-	3 slots		3 slots	-	3 slots	-	Executive
078			Formulation of communication on strategy	Number of documents	1 strategy	-	Draft report	-	Final report		-	-	-	-	MM
079			Mayoral Imbizo (community feedback)	Number of meetings held	1 meeting	100 000.00	-	-	-	1	100 000.00	-	-	-	MM
080			IDP FR meeting		4 Quarterly meetings		1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	MM
081		Coordinate CDW and ambassadors activities	Engage COGTA and develop CDW programme	Number of meetings held	4 Quarterly meetings and reports	-	3 meetings	-	3 meetings	-	3 meetings	-	3 meetings	-	MM
082	To promote good governance	Participate in IGR structures	Attendance of District and Provincial IGR Forums	Number of meetings attended	4 Quarterly meetings and forums	-	3 IGR	-	3 IGR	-	3 IGR	-	3 IGR	-	Executive
083			Attendance of SALGA working groups	Number of meetings	SALGA meetings	-	5 meetings	-	5 meetings	-	5 meetings	-	5 meetings	-	All

084	Implement Batho Pele Principles	Training/workshoping		1 training and workshops		1 training in 1st quarter								
085	Provision of secretarial support to Council meetings	Provision of secretarial support to Council meetings	Number of council meetings held	4 meetings	-	1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	Executive & Corporate
086		Provision of secretarial support to EXCO meetings	Number of EXCO meetings held	12 meetings	-	3 meetings	-	3 meetings	-	3 meetings	-	3 meetings	-	Corporate services
087		Provision of secretarial support to Portfolio committee meetings	Number of portfolio committee meetings held, attendance register & minutes	48 Portfolio meetings	-	12 meetings	-	48 Portfolio meetings	12 Meetings	48 portfolio meetings	12 meetings	48 portfolio meetings	12 meetings	Corporate services & other departments
088		Provision of secretarial support to Municipal Public Accounts Committee (MPAC)	Number of MPAC meetings held	4 meetings	-	1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	Corporate services

089			Provision of secretarial support to Municipal Rules Committee (MRC) meetings	Number of MRC meetings held, Minutes & Attendance	4 meetings	-	1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	Corporate services
090		Development of the SDBIP to be signed by the Mayor	Approved SDBIP	Number of documents produced	Signed SDBIP		1 SDBIP document	-	-	-	-	-	-	-	All departments
091		Performance agreements	Signed performance agreement	Number of agreement signed	Signed and approved performance agreements by 15 august 2015	-	5 Signed and approved performance agreements	-	-	-	-	-	-	-	
092		PMS reports for 14/15 financial year	Organisational performance management reports	Number of reports	4 Quarterly OPMS reports produced by the end financial year	-	Quarter 1 report		Quarter 2 report		Quarter 3 report		Quarter 4 report	-	
093	Creation good internal control environm	Ensure development and implementation of IA Plan	Establish internal Audit Unit (Internally)		Functional Internal audit unit (Quarterl	1 100 000.00	Quarter 1 report		Quarter 2 report		Quarter 3 report		Quarter 4 report	-	Executive MM

	ent (Clean Audit)			y reports)										
094		Conduct risk assessment		1 risk assessm ent	-	Risk worksho p & register	-	-	-	-	-	-	-	All
095		Internal Audit Plan	Number of audit reports	Develop ment of an Internal audit plan		Audit plan	-	-	-	-	-	-	-	Executiv e
096	Improved the municipal audit opinion	External audit participation	An Improve audit opinion		1 400 000.0 0		-	-	-	Audit fees	1 400 000.00	-	-	Executiv e
097	Functional audit committee	Provision of secretarial support to Audit Committee (AC) meetings	Number of AC meetings held	04 meetings	-	1 meeting	-	1 meeting	-	1 meeting	-	1 meeting	-	Corporat e services

**KPA 5 : FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT**

098	To increase municipal financial viability	Revenue management	Reviewed and implement revenue enhancement strategy	Number of RES document adopted by Council	1 reviewed enhancement strategy reviewed and implemented	116 600.00	1 Strategy document implementation	29 150.00	Implementation report	29 150.00	Implementation report	29 150.00	Implementation report	29 150.00	Finance
099			Implement Municipal Valuation Roll	Number of billing reports produced	12 Reports	152 640.00	3 reports	38 160.00	3 Reports	38 160.00	3 Reports	38 160.00	3 Reports	38 160.00	Finance
100		Expenditure management	Ensure constant monitoring of expenditure against approved budget	Number of reports with no over expenditure submitted to Council	12 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	n/a	Finance
101		Creditors management	Payment of creditors within 30 days	Number of reports with no creditors over 30 days	12 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	n/a	3 Reports	n/a	Finance
102		Effective financial management	Facilitate and prepare a credible budget	Number of budget document approved by Council	1 Draft budget & 1 final budget	N/A					1 Draft report	n/a	1 final report	n/a	Finance
103			Review financial and budget - related	Number of	10 Financial	N/A			5 policies	n/a	5 Policies	n/a			Finance

		policies	financial policies reviewed	policies										
104	Financial Reporting including credible annual financial statements	Prepare annual Financial Statement	Number of AFS prepared and submitted within due date	1 Set of Annual Financial Statements	200 000.00	1 Set AFS	200 000.00							Finance
105	Upgrade of IT system and financial management system	Upgrade and maintain IT and Paste Accounting System	Number of monthly reports signed	12 monthly reports	1 878 500.00	3 reports	414 500.00	3 reports	414 500.00	3 reports	414 500.00	3 reports	414 500.00	Finance
106	Effective management of fixed assets	Update fixed asset register	Number of Asset reconciliation showing updated FAR	4 reconciliations	N/A	3 reports	n/a	3 reports	n/a	3 reports	n/a	3 reports	n/a	Finance
107		Provide adequate insurance for all municipal assets	Number of Insurance covers held	1 Insurance cover to be maintained	424 000.00	1 Insurance cover	424 000.00							

108		Improved supply chain management compliance in terms of regulations, policies and procedures	Facilitate a workshop for all SCM practitioners	Number of workshops held	2 workshops	N/A	1 SCM workshop	n/a					1 SCM workshop	n/a	Finance
109		Develop an anti-corruption policy	Review Fraud prevention Plan	Number of Fraud prevention plan	1 Fraud prevention plan	n/a	1 Fraud prevention Plan	n/a							
110	Free basic service	Develop indigent support policy	Develop an Indigent register	Number Indigent registers developed and adopted	1 Register	N/A			1 Register	n/a					
<b>KPA 6 : CROSS CUTTING INTERVENTIONS</b>															
111	To promote and preserve a safe and healthy	Enhance environmental quality in line with relevant legislation	Outdoor advertising		Signage audit report		Securing of Consultants through SCM processes	-	Audit for signage status quo report	-	Managing and administration of new signage	-			Planning

112	environment	Enhance environmental quality in line with relevant legislation	Gazette waste management by-laws	Gazette of Waste management of by-laws	2						2	200 000.00		-	Community
113		Waste management	Nordale streets & parks cleaning	Monthly Reports	12 monthly reports	198 000.00	3 monthly reports	165 000.00	3 monthly reports	165 000.00	3 monthly reports	165 000.00	3 monthly reports	165 000.00	Community
114		Maintenance of parks and gardens	KwaMsane streets & parks cleaning	Monthly reports	12 monthly reports	540 000.00	3 monthly reports	450 000.00	3 monthly reports	450 000.00	3 monthly reports	450 000.00	3 monthly reports	450 000.00	Community
115			St.Lucia streets & parks cleaning	Monthly reports	12 monthly reports	360 000.00	3 monthly reports	300 000.00	3 monthly report	300 000.00	3 monthly reports	300 000.00	3 monthly reports	300 000.00	Community
116			Mtubatuba town streets & parks cleaning	Monthly reports	12 monthly reports	960 000.00	3 monthly reports	240 000.00	3 monthly reports	240 000.00	3 monthly reports	190 000.00	3 monthly reports	240 000.00	Community
117		Waste collection	Acquisition of bins & Containers	Number of procured bins and containers	10 bins & 05 containers	150 000.00	5 bins & 2 containers	70 000.00	5 bins	40 000.00	3 containers	40 000.00	-	-	Community

118		Compliance with the waste management legislation	Maintenance of Nordale & St. Lucia	100% maintenance	4 quarterly reports	1 000 000.00	1 quarterly reports	300 000.00	1 quarterly reports	500 000.00	1 quarterly reports	-	1 quarterly reports	200 000.00	Finance
119	To promote integrated and sustainable development	Review and implement the spatial development framework	SDF review		Adopted reviewed, 4 Meetings quarterly	-	Securing of Consultants through SCM processes	-	Status Quo Report & Updated Spatial Plans	-	Advertise Draft and attends to comments thereof	-	Approved and adopted plan	-	Planning
120		Preparation and introduction of LUMS for entire Municipality	Draft LUMS		LUMS	200 000.00	Securing of Consultants through SCM processes	-	Status Quo Report	100 000.00	Extensive consultation of different stakeholders		Draft LUMS		Planning
121		Land admin	Amend Mtuba town general plan		Mtuba town General plan amended	200 000.00	Appointed of land surveyors	-	Progress report	100 000.00	Amendment and registering of GP at SG's and deeds registry office		Close out	150 000.00	Planning
123			Mtubatuba Urban Edge - Urban Design Framework		Mtuba Urban design framework	300 000.00	TORs	-	Appointment of SP	-	Status Quo report	150 000.00	Urban design detailed plans	150 000.00	Planning

124			Processing of land use/administration application	100% Number of application received as per development register	Attendance application	-	Attendance applications		Attendance applications		Attendance applications		Attendance applications		Planning
125	To promote integrated coordinated and sustainable development	Facilitate the formulation of the credible IDP	IDP process plan	Number of documents	Process plan by 31 August 2014	-	1 document	-							Executive
126			Credible IDP	% scored by Mtubatuba IDP	Adopted and approved IDP by May 2015	200 000.00	Review of IDP	-	status quo report on IDP	50 000.00	Approval of Draft IDP	50 000.00	Adoption of IDP	100 000.00	Executive
127	Pro-active and reactive integrated disaster management for communities	Fire/Disaster management	Fire fighting	Monthly reports & pictures	As when need arises	500 000.00	1 quarterly report		1 quarterly report		1 quarterly report		1 quarterly report		CS
128			Disaster relief	number of procurem	25		100 000.00	0		-		-		100 000.00	1 quarterly





## INTRODUCTION TO MUNICIPAL PERSONNEL

The Municipal Manager and four Directors are appointed on a fixed term contract in terms of Section 57 of the Municipal Systems Act 32 of 2000. The financial year commenced with the positions of Planning and development Services being vacant, and has been frozen during the course of the year. Employment contracts and performance agreements are in place for the Municipal Manager and all Directors reporting to the Municipal Manager.

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

##### Management Team

POSITION	FILLED	EMPLOYMENT CONTRACTS IN PLACE	PERFORMANCE CONTRACT IN PLACE
Municipal Manager	No	No(Cogta Deployee)	No
Chief Financial Officer	No	No(Cogta Deployee)	No
Director Corporate Services	Yes	Yes	Yes
Directorate Social & Economic Development Services	No	Vacant	Yes
Director Community	Yes	Yes	Yes
Director: Technical Services	Yes	Yes	Yes

## MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Section 67 of the Local Government Municipal Systems Act, Act 32 of 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act, Act 55 of 1998.

The table below indicates the turnover rate for the current financial year:

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2012/13	50	18	36%
2013/14	6	3	50%
2014/15	5	12	240%

## 4.2 HUMAN RESOURCE POLICIES AND PLANS

There are a number of policies and plans in place to regulate personnel matters. Some matters are regulated in terms of collective agreements and legislation. The following Human Resource Policies and plans are in place:

Mtubatuba Municipality has developed 61 policies which deal with Human Resource Management. The following policies were adopted by Council for 2011/2012. The Recruitment and Selection Policy was reviewed in 2013/14 and the Official Vehicle Usage Policy and Cellphone Allowance Policy were developed in 2013/14.

### LIST OF EXISTING POLICIES

1. Social Responsibility Policies
2. Leave of Absence Policies
3. Work Attendance Policy
4. Employee Wellness Policy
5. HIV and AIDS in the workplace policy
6. Whistle blowing policy
7. Occupational Health and Safety policy
8. Benefits and Allowance Policy
9. Employee under the influence of intoxicating policy
10. Termination of employment Policy
11. Transport allowance Policy
12. Training and Development Policy
13. Staff and Councillors Skills Development Policy

14. Relocation Policy
15. Private work and Declaration of Interest Policy
16. Employment Practice Policy
17. Employee Promotion Policy
18. Skills retention Policy
19. Succession Planning Policy
20. Confidentiality Policy
21. Communication Policy
22. Access to Employee files policy
23. Sexual Harassment Policy
24. Employment Equity and Affirmative Action Policy
25. Cellular Phones Policy
26. Scarce Skills Policy
27. Acting Allowance Policy
28. Use of Municipal Assets and Resources Policy
29. Sustenance Allowance: Visits outside the Country
30. Smoking Policy
31. Security of Municipal Affairs Policy
32. Recruitment and Selection Policy
33. Protective Clothing Policy
34. Vehicle Policy
35. Overtime Policy
36. Experience training policy
37. Involvement of spouse accompanying Councillors and/or officials on official business
38. Mayoral vehicle policy
39. Investigation of fraud and corruption policy
40. Official attendance of Memorial Services and Funerals
41. Induction policy and checklist
42. Internal communication strategy
43. Municipal Communication Strategy
44. Staff Placement Policy
45. Incapacity: due to ill-health injury
46. Equal opportunities Policy
47. Internal Grievance Procedure
48. Internal Disciplinary Procedure
49. Capability Procedure
50. Absence Control Policy
51. Attendance & Punctuality Policy

- 52. Working Days & Hours Policy
- 53. Standard of Conduct for Municipal Employees
- 54. Dress Code and Uniform Policy for office based staff
- 55. Leave and Desertion Policy
- 56. Incapacity due to poor performance Policy
- 57. Appointment and Probation Policy
- 58. IT Policy
- 59. Declaration of interest policy
- 60. Policy on hiring of Municipal halls
- 61. Sponsorship Policy

#### **4.3 MANAGING THE MUNICIPAL WORKPLACE**

The Municipal Systems Act of 2000, s6,7 requires municipalities to Develop and adopt appropriate system and procedures to ensure fair, efficient, effective and transparent personnel administration in accordance with the Employment equity Act of 1998.

The Municipality has made much progress in the development and implementation of the required workforce policies and procedures. It is consistently reviewing these to ensure their continued applicability and relevancy and developing new policies and procedures where required.

#### **4.4 CAPACITATING THE MUNICIPAL WORKFORCE**

The Municipality has several well developed capacity programmes and systems in place including:

- (a) Annual Workplace Skills Plan (WSP)



## CHAPTER 5: FINANCIAL PERFORMANCE



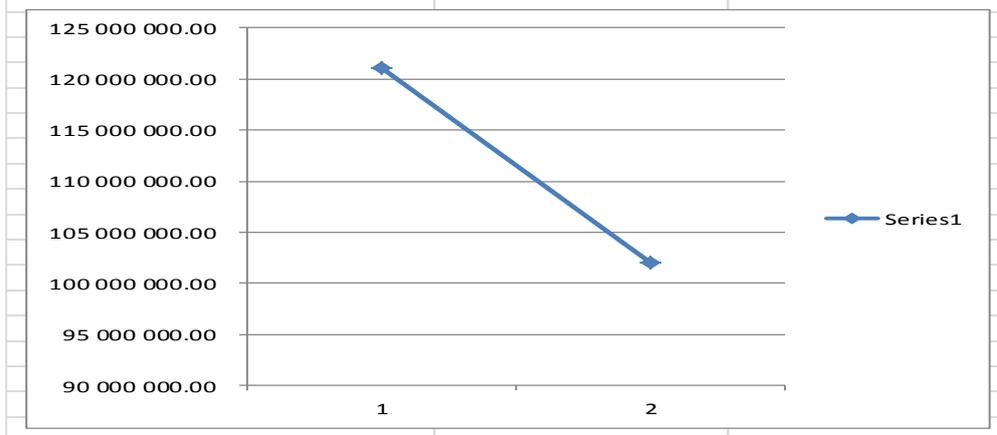
## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

The following table provides a summary of the Municipality's financial performance as at 30 June 2015.

Description	Ref	2013/14			CURRENT YEAR 2014/2015		
		Original Budget	Adjusted Budget	Pre-audit outcome	Original	Adjusted Budget	Actual
<b>R thousand</b>	1						
<b>Revenue By Source</b>							
Property rates	2	21 724	21 724	19 262	23 585	21 734	21 378
Property rates - penalties & collection charges		-	-	-	-	-	
Service charges - electricity revenue	2	-	-	-	-	-	
Service charges - water revenue	2	-	-	-	-	-	
Service charges - sanitation revenue	2	-	-	-	-	-	
Service charges - refuse revenue	2	4 261	3 441	2 843	4 034	3 411	3 275
Service charges - other		1 658	1 658	1 658	1 658	1 628	1 581
Rental of facilities and equipment		161	201	221	817	312	239
Interest earned - external investments		300	400	517	424	633	761
Interest earned - outstanding debtors		4 067	4 067	5 688	4 311	5 151	6 517
Dividends received		-	-	-	-	-	-
Fines		15 955	153	1 515	1 745	194	1 282
Licences and permits		2 420	3 056	2 790	3 240	2 373	2 504
Agency services		-	-	-	-	-	-
Transfers recognised - operational		66 739	68 164	66 869	90 448	90 700	121 037
Other revenue	2	339	1 198	1 740	1 269	1 210	958
Gains on disposal of PPE		162	1 175	-	4 425	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>117 786</b>	<b>105 238</b>	<b>103 104</b>	<b>135 956</b>	<b>127 347</b>	<b>159 532</b>
<b>Expenditure By Type</b>							
Employee related costs	2	50 950	37 767	38 961	43 017	45 859	41 556
Remuneration of councillors		10 879	10 004	10 594	10 502	10 502	7 209
Debt impairment	3	4 867	3 640	12 123	5 159	5 159	8 598
Depreciation & asset impairment	2	7 350	6 020	13 007	7 791	7 791	14 622
Finance charges		510	410	1 077	541	541	606
Bulk purchases	2	-	-	-	-	-	-
Other materials	8	418	3 909	3 829	10 348	8 778	6 491
Contracted services		13 188	9 800	9 772	11 632	10 047	10 126
Transfers and grants		-	1 000	-	-	-	-
Other expenditure	4, 5	39 458	24 625	29 361	18 740	22 954	19 923
Loss on disposal of PPE		-	-	1 203	-	-	-
<b>Total Expenditure</b>		<b>127 619</b>	<b>97 175</b>	<b>119 928</b>	<b>107 729</b>	<b>111 631</b>	<b>109 131</b>
<b>Surplus/(Deficit)</b>		<b>(9 833)</b>	<b>8 063</b>	<b>(16 824)</b>	<b>28 226</b>	<b>15 716</b>	<b>50 401</b>
Transfers recognised - capital		33 498	32 793	35 175	30 148	30 633	
Contributions recognised - capital	6	-	-	-	-	-	
Contributed assets							
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>23 665</b>	<b>40 856</b>	<b>18 351</b>	<b>58 374</b>	<b>46 349</b>	<b>50 401</b>
Taxation		-	-	-	-	-	
<b>Surplus/(Deficit) after taxation</b>		<b>23 665</b>	<b>40 856</b>	<b>18 351</b>	<b>58 374</b>	<b>46 349</b>	<b>50 401</b>
Attributable to minorities		-	-	-	-	-	
<b>Surplus/(Deficit) attributable to municipality</b>		<b>23 665</b>	<b>40 856</b>	<b>18 351</b>	<b>58 374</b>	<b>46 349</b>	<b>50 401</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>		<b>23 665</b>	<b>40 856</b>	<b>18 351</b>	<b>58 374</b>	<b>46 349</b>	<b>50 401</b>

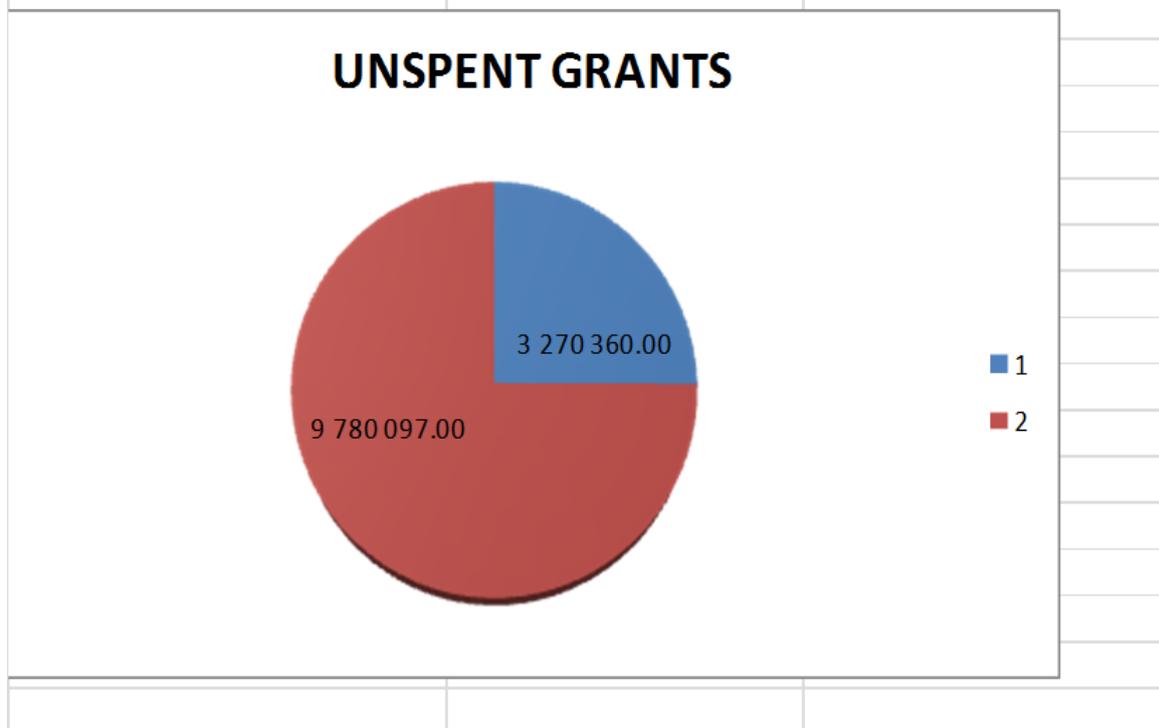
**5.1.2 GRANTS ANALYSIS** - The information below indicates the revenue recognition of grants. It further highlights that the municipality understands the whole concept on the recognition of grants. It indicates the increase from the prior to the year under audit.

<b>OPERATING GRANTS</b>	<b>2014/2015</b>	<b>2013/2014</b>
EQUITABLE SHARE	81 379 000.00	60 734 000.00
CAPACITY BUILDING	121 263.00	-
FINANCE MANGEMENT GRANT	1 800 000.00	1 650 000.00
LIBRARY SUPPORT GRANT	3 701 747.00	2 215 000.00
MTB LIBRARY ASSISTANTS	230 720.00	251 893.00
MSIG	-	890 000.00
EPWP	1 064 455.00	994 545.00
ELECTRIFICAION GRANT	1 500 000.00	-
SPORTS CARETAKERS	149 037.00	133 296.00
INFRASTRUCTURE SPORT FACILITY GRANT	147 172.00	-
MSIG WARD COMM	934 000.00	-
MIG OPERATIONAL	484 337.00	-
<b>TOTAL</b>	<b>91 511 731.00</b>	<b>66 868 734.00</b>
<b>CAPITAL GRANTS</b>		
SMALL TOWN REHABILITATION	-	614 064.00
NATIONAL ELECTRIFICATION PROGRAMME	485 373.00	7 160 965.00
MIG- INFRASTRUCTURE	29 039 663.00	27 397 979.00
	<b>29 525 036.00</b>	<b>35 173 008.00</b>
<b>OVERALL TOTAL</b>	<b>121 036 767.00</b>	<b>102 041 742.00</b>



### 5.2.1 GRANTS ANALYSIS

UNSPENT GRANTS		
DESCRIPTION	2014/2015	2013/2014
LOW COSTING HOUSING GRANT	1 232 377.00	1 232 377.00
INFRASTRUCTURE SPORTS	1 952 828.00	525 000.00
RURAL ELECTRIFICATION	-	485 373.00
CORRIDOR DEVELOPMENT	-	7 300 000.00
MTB LIBRARY	66 068.00	65 188.00
EPWP	-	5 455.00
SPORTS & RECREATION	17 667.00	166 704.00
IDP REVIEW	1 420.00	-
	<b>3 270 360.00</b>	<b>9 780 097.00</b>



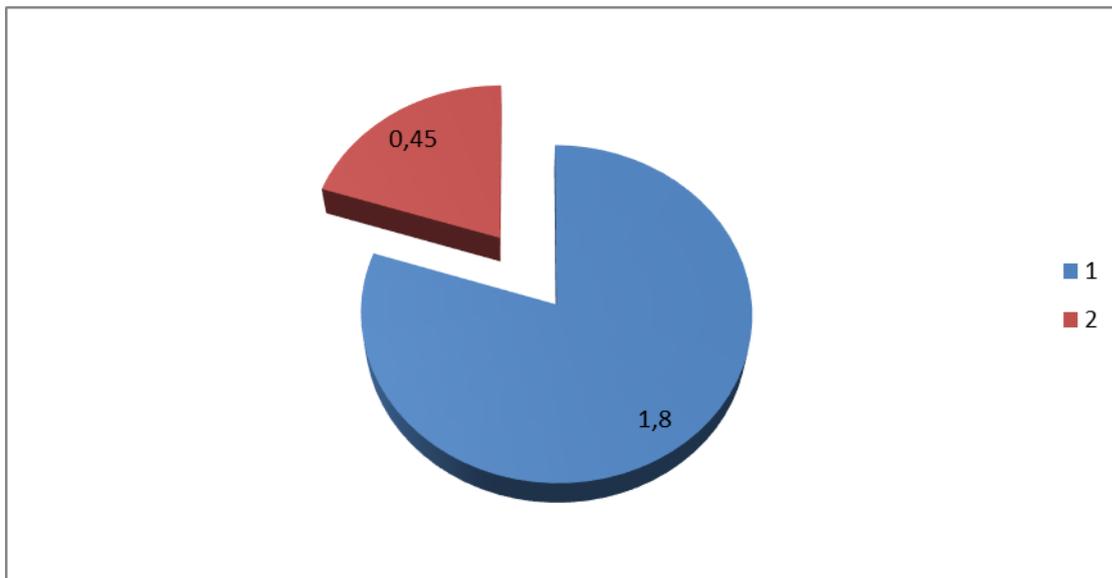
The graph above indicates unspent grants disclosed in the Annual Financial Statements. There is an improvement in grants expenditure in the current year. There is a significant change from R9 780 097 to R3 270 360.

### 5.3 FINANCIAL RATIOS AND INDICATORS

Mtubatuba Local Municipality make use of a number of operating ratios and indicators to enable to benchmark financial performance. The following are of particular importance:

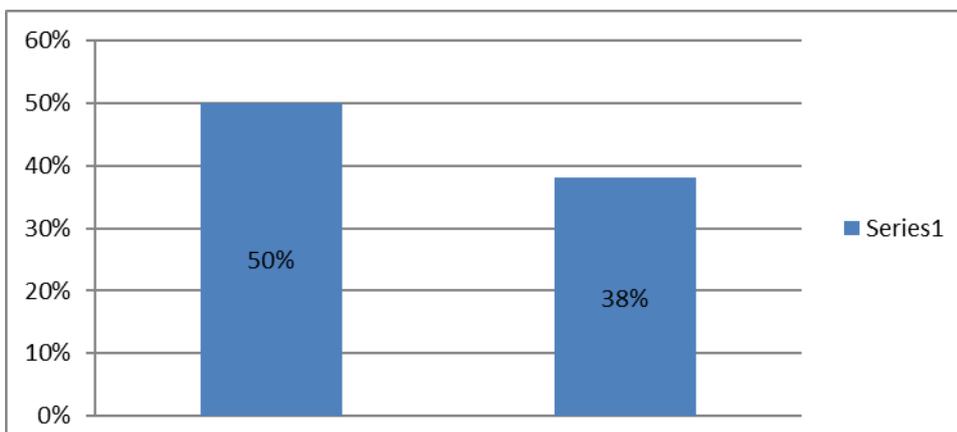
### 5.3.1 LIQUIDITY

The liquidity ratio is calculated on the basis of current assets divided by current liabilities. The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/2014 financial year the ratio was **1:0.45** and as part of the financial planning strategy it increased to **1:1.8** in the 2014/15 financial year.



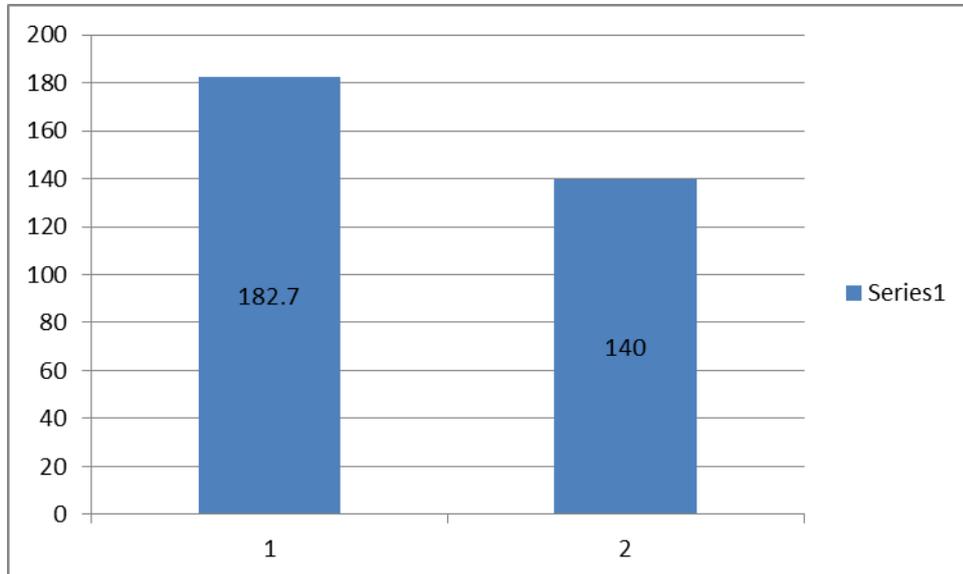
### 5.4.1 DEBTORS VS REVENUE ANALYSIS

The diagram below indicates the increase in collection of debtors. This indicates that in the prior the municipality could only collect 38% of its own revenue in comparison to the year under audit which 50%.



### 5.4.2 DEBTORS COLLECTION PERIOD

The diagram below highlights the number of days the municipality takes to collect its revenue per annum. It further reveals that there is an increase in terms of the time taken to collect from 2013/2014 financial to the year under audit.

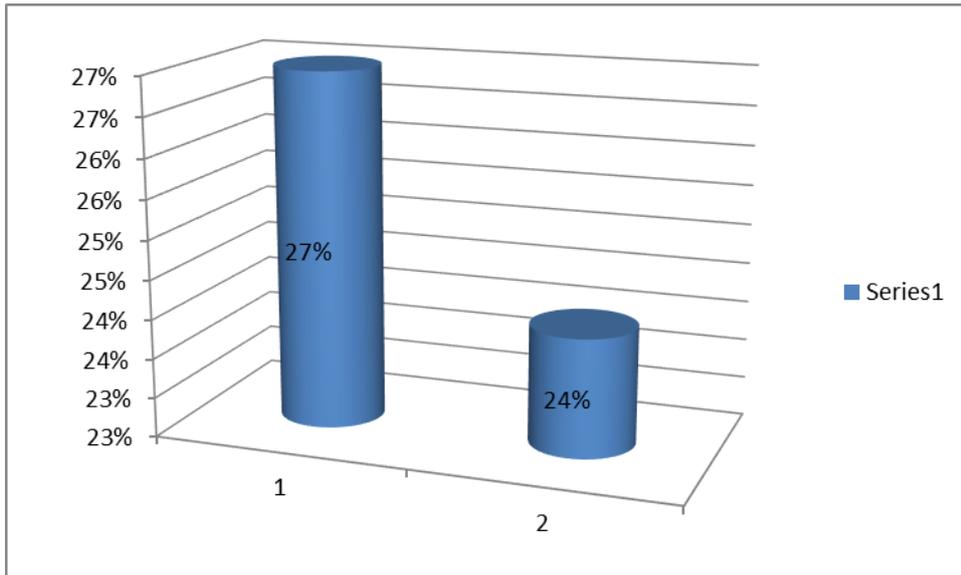


### 5.5 ASSET MANAGMENT

Assets are managed and maintained by the Directorate under which they resort and provision is made under their respective operational budgets for maintenance over the life cycle of the asset. The Asset

Unit is responsible for maintaining the asset register, annual asset counts, capturing of newly acquired assets on the asset register and the removal of obsolete or written off assets from the asset register.

The Municipality's asset register is GRAP 17 compliant and is linked to the Municipality's financial system Patel Evolution.



When assessing the level of Investment in Assets, a ratio less than 10% reflects lower spending by the municipality in infrastructure and holds potential risks to service delivery. A ratio of more than 20% reflects higher spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure do not include both economic (revenue generating) and social type infrastructure. Therefore Mtubatuba Local Municipality is improving in terms of service delivery over the years.



## CHAPTER 6 - AUDITOR GENERAL AUDIT FINDINGS



## CHAPTER 6 - AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

The financial statements were audited by the Auditor-General in terms of section Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA). The results are therefore included below.

Mtubatuba Local Municipality has received an unqualified audit opinion in the 2014/2015 financial year.

### A. AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS 2013/14

#### 6.1 AUDITOR GENERAL REPORTS YEAR 2013/14

Auditor-General Report on Financial Performance: Year 2013/14	
<b>Audit Report Status*:</b>	<b>Unqualified</b>
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Strategic Planning and performance management	All audit findings which lead to a disclaimer audit opinion were addressed as per the Audit action plan.
Budget	
Annual financial statements	
Audit Committees	
Procurement and Contract management	
Humana resource management and compensation	
Expenditure management	
Consequence management	
Waste management	
Leadership	
Financial and performance management	
Governance	

## 6.2 AUDITOR GENERAL REPORTS YEAR 2014/15

Auditor-General Report on Financial Performance: Year 2014/15	
<b>Audit Report Status*:</b>	<b>Unqualified</b>
<b>Non-Compliance Issues</b>	<b>Remedial Action to be Taken</b>
Annual financial statements, performance and annual reports	All audit findings which lead to a qualification audit opinion will be addressed as per the Audit action plan.
Expenditure management	
Conditional Grants	
Consequence management	

Below is an action plan to address all Auditor General Audit findings as per the management report.

Management will be monitoring the implementation of the above plan in ensuring that all findings by Auditor-General as per management report for the financial year 30 June 2015 are addressed. Furthermore review of internal controls by management will be undertaken to ensure full compliance with all municipal finance prescripts

NO	AUDIT FINDING	ROOT CAUSE	CORRECTIVE ACTION	TIME FRAME	
				Start Date	End Date
1	Non - compliance with DORA	Management did not ensure that compliance with all applicable laws and regulations	1. A checklist will be developed and Implemented to ensure that compliance with all applicable laws and regulations is achieved.	01/02/2016	30/06/2016
2	No reports submitted regarding irregular Expenditure, unauthorized, fruitless and wasteful expenditure	1. Lack of implementation of controls 2. Poor planning when completing the adjustment estimates 3. Poor planning of events and inappropriate monitoring of the budget	The accounting officer should ensure that investigation of irregular, fruitless and wasteful expenditure is done before submission to council for condonation. Monitor expenditure through monthly reports and review General Ledger transactions on quarterly basis to ensure correct expenditure recording	01/02/2016	30/06/2016
3	Annual Performance Report did not include measures taken to improve performance for performance targets not achieved	No Sufficient monitoring controls in place to ensure that all legislative requirements are complied with when compiling the annual performance report	Management adhere to all legislative requirements when compiling the annual performance report.	01/02/2016	30/04/2016
4	Three quotes were not obtained and incorrectly authorized deviations not disclosed as irregular expenditure	No processes and procedures in place to ensure requirements of SCM Policy are adhered to	1. Ensure that SCM Checklist is completed together with a Request for Quotation Form 2. Develop a proper deviation authorization form which meets the requirements of SCM Regulations	01/02/2016	30/06/2016
5	Key Personnel post vacant for more than 12 months	Key positions that were vacant for a significant period of time	Review of organogram to determine critical positions and those that will be placed on hold	02/01/2016	30/04/2016
6	Non-compliance with MFMA disclose	Sufficient monitoring control not in place to ensure compliance with all applicable laws and regulations	1. Review financial statement disclosure notes	02/02/2016	31/06/2016
7	Invoices/suppliers not paid within 30 days	Inadequate processes and procedures to ensure that all creditors are paid within prescribed timeframe Lack of skills and understanding of performance management regulations	1. Monitor invoice register against Creditors Age Analysis and fast track payment of invoices 2. Control expenditure commitments through Cash Flow Management so that cash is always available to pay creditors	02/02/2016	30/06/2016

NO	AUDIT FINDING	ROOT CAUSE	CORRECTIVE ACTION	TIME FRAME	
				Start Date	End Date
8	No fraud prevention plan/strategy provided	Lack of skills and capacity to develop a fraud prevention plan or strategy	1. Request support from CoGTA to assist in the development of fraud prevention plan	02/02/2016	31/03/2016
9	Existing property valuation roll exceeded the four year validity period as prescribed by legislation	Management did not ensure that the applicable laws and regulations have been followed by implementing an amended valuation roll.	Update valuation roll for July 2015 implementation and adjust investment properties with new values	30/11/2015	31/03/2016
10	No permit to operate Dumpsite	Municipality did not apply for permit before opening dumpsite	Council to seek support from Department of Environmental Affairs for obtaining the license to operate dump site	05/01/2016	31/08/2016
11	No separate bank account for unutilized capital receipts	The accounting officer did not maintain separate bank accounts as required by the relevant laws and regulations.	Separate bank accounts need to be opened and conditional grants will be transferred to the account	30/11/2015	30/04/2016
12	No register of bids published on the municipality website	Municipality does not have a comprehensive checklist to monitor compliance	1. Develop a Register of all bids published on the municipal website	20/01/2016	30/03/2016
13	Construction contracts were not advertised on the CIDB website	Management did not ensure that CIDB regulations are adhered to for all bids advertised	1. Develop CIDB register to be completed and monitored on quarterly basis to ensure that all CIDB requirements are complied with	04/01/2016	30/06/2016
14	No s56& 57 quarterly performance assessments were done	The audit committee was not in place for 7 months of the financial year to promote accountability and service delivery through evaluating and monitoring responses to risks and in providing oversight over the effectiveness of the internal control environment including financial, performance reporting and compliance with laws and regulations.	The Accounting officer should Review and assessments of performance agreement by the appointed audit committee	01 February 2016	30 June 2016

NO	AUDIT FINDING	ROOT CAUSE	CORRECTIVE ACTION	TIME FRAME	
				Start Date	End Date
15	No policies and procedures in place for performance information	Inadequate monitoring and review of performance management information as there will be no policy in place to provide guidance.	Draft A Performance Management System framework/policy in accordance with relevant legislation and tabled for Council approval and thereafter rolled out for implementation.	01/02/2016	31/06/2016
16	1. No process of regular reporting to council	Instabilities, inconsistencies and the dissolution of the council	Oversight responsibilities will be performed by the Council and Audit Committee to review all the quarterly performance reports	30/01/2016	31/08/2016
17	Budget and SDBIP not approved within regulated time frame	Political instability and dissolution of Council	Management will discuss these regulations with the oversight bodies (council) so that they are aware of when and reasons they should approve these performance documents	05/01/2016	31/03/2016
18	Indicators are not well defined	Accurate reports on predetermined objectives are not prepared and properly reviewed	Management to design performance indicators that have a clear, unambiguous definition so that data will be collected consistently and be easy to understand and use	05/01/2016	30/06/2016
19	No road infrastructure asset management system in place.	Road and asset Management system could not be purchased due insufficient funds and it was not budgeted for.	Find alternative system to be used for road management system	05/01/2016	31/03/2016
20	Road Infrastructure - No road infrastructure policy in place	Management did not exercise adequate oversight responsibility to ensure that all policies governing the effective service delivery responsibilities were in place, approved and implemented	Formulate a policy in respect of roads infrastructure and this policy must be implemented as soon as practically possible, so as to ensure that planning and decision making is guided by an approved policy in order to achieve desired outcomes.	01/02/2016	30/06/2016

NO	AUDIT FINDING	ROOT CAUSE	CORRECTIVE ACTION	TIME FRAME	
				Start Date	End Date
21	Road Infrastructure – maintenance and renewals of roads	Management did not exercise adequate oversight responsibility over the preparation of the budget to ensure adequate budget is allocated for the renewal of road infrastructure and maintenance to improve service delivery	When preparing the budget cognizance should be taken of the contents of National Treasury's MFMA circular No. 70 dealing with the budgetary process	01/02/2016	30/05/2016
22	Use of consultants	Staff has not been properly trained and do not hold high enough qualifications	<ol style="list-style-type: none"> <li>1. Identifying training requirements for finance staff</li> <li>2. Prepare training programme to address the needs</li> </ol>	12/01/2016	27/04/2016
23	No evidence that the backups are verified and that they are not stored on an offsite facility	Non functionality of the IT Department and non-compliance with the policies that the IT section has developed	<ol style="list-style-type: none"> <li>1. Management should ensure that backups and restoration processes are established to ensure IT service continuity.</li> <li>2. Off-site backup arrangements should be formally documented and regularly tested</li> </ol>	12/01/2016	30/04/2016
24	No approval of the IT policies	Council has not approved IT policies	Submit IT policies for council approval	01/03/2016	30/06/2016
25	A reconciliation is not performed between the payroll system and the general ledger	Management does not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information	Reconciliations that should be performed reviewed on a monthly basis.	01/02/2016	30/06/2016
26	No loss control policy in place on lost assets	Municipality has not developed policy to ensure investigation of lost assets	Revise the current asset management policy to include all the processes that will be in place to regarding to lost assets.	01/03/2016	30/06/2016

NO	AUDIT FINDING	ROOT CAUSE	CORRECTIVE ACTION	TIME FRAME	
				Start Date	End Date
27	Certain key components have not been incorporated in the existing asset management policy	Inadequate monitoring and review processes relating to the compilation of the asset management policy	Review and update of the policy in line with legislative and municipal changes should be conducted.	12/02/2016	30/06/2016
28	Supplier cannot be found on VAT vendor search on SARS website	Management did not verify suppliers vat numbers prior to payment	Finance clerks should inspect the invoices to see that tax invoices are valid and where tax invoices are not valid they should not be paid until the supplier has amended the tax invoice	01/02/2016	30/06/2016
29	The entity has not claimed input VAT on a valid VAT invoice	The municipality did not inspect the invoices to confirm whether the invoice is a valid VAT invoice.	Inspect all invoices to see that tax invoices are valid and where tax invoices are valid they should record the expenditure net of VAT and claim the input VAT portion of the invoice	01/02/2016	30/06/2016

## Mtubatuba Municipality - Audit report 2014-15

# Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the Council on Mtubatuba Municipality

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Mtubatuba Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (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 International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mtubatuba Municipality as at 30 June 2015 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.

## Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for basic service delivery and infrastructure development and local economic development presented in the annual performance report of the municipality for the year ended 30 June 2015.
9. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
10. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPPI).
11. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
12. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following development priorities, basic service delivery and infrastructure development and local economic development.

## Additional matter

13. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priorities, I draw attention to the following matter:

## Achievement of planned targets

14. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

## **Compliance with legislation**

15. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## Annual financial statements, performance and annual reports

16. 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 of non-current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
17. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1) (c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000).

## Expenditure management

18. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.

## Conditional grants

19. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, Municipal Systems Improvement Grant, and the Local Government Financial Management Grant allocations, as required by section 12(5) of the DoRA.

## Consequence management

20. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2) (a) (ii) of the MFMA.

## **Internal control**

21. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

## Leadership

22. Leadership did not implement effective oversight over the review of the financial statements and did not ensure that management effectively and timeously monitored compliance with laws and regulations throughout the financial year. Additionally, council has not provided the required oversight to ensure the effective running of the municipality as there has been instabilities resulting in the council being dissolved by the MEC in the year.

## Financial management

23. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on financial and compliance reporting due to management not timeously addressing control deficiencies identified. In this regard, senior management did not ensure regular, accurate and complete financial reports were prepared and supported by reliable information. This resulted in material corrections to the financial statements and repeat compliance findings.

## Other reports

### Investigations

24. At the request of the municipality, an independent consulting firm was performing an investigation into the conduct of three staff members relating to misappropriation of municipal assets. The investigation was still in progress at the date of this report.

Pietermaritzburg

27 November 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Acting Chief Financial Officer) Ms. NQ Mzimela Dated 30 June 2015

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give <i>“full and regular”</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>“what we do”</i> .
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.

<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related

	activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality’s delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a “vote” as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## APPENDICES

# REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL OF MTUBATUBA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2015

The Audit Committee has the pleasure in submitting this report to the Council of Mtubatuba Local Municipality. This report is submitted in terms of the provision of sections 121 (3) (j), 166(2) (b) and 166(2) (c) of the Municipal Finance Management Act of 2003 (“the MFMA”) and covers the financial year from 1 July 2014 to 30 June 2015.

The legal responsibilities of the Audit Committee are set out in terms of the Municipal Finance Management Act, No. 56 of 2003 (Section 166) read in conjunction with the National Treasury’s MFMA Circular 65.

### Audit Committee members and attendance at meetings

The Audit Committee was appointed in February 2015 and comprises of 3 independent, external members and is required to meet at least 4 times per annum as per the Audit Committee Charter and the MFMA. However, additional meetings may be called as the need arises.

Members’ attendance at the meetings is listed below:

Name	Meetings Attended	17 March 2015	07 April 2015	25 May 2015	29 June 2015	26 August 2015
Ms. N Mchunu (Chairperson)	5	✓	✓	✓	✓	✓
Mrs. C Jugnarayan	5	✓	✓	✓	✓	✓
Mr. D Mncwabe	5	✓	✓	✓	✓	✓
Ms. N Mzimela ( <i>resigned on 01 June 2015</i> ).	2	✓	✓			

The following are standing invitees to Audit Committee Meetings.

- Representative from Office of the Auditor-General (AG)
- Representatives from Provincial Treasury and COGTA
- Associate Director Internal Audit Services
- The Municipal Manager (MM)
- The Administrator
- The Chief Financial Officer (CFO)
- Heads of Departments

## **Audit Committee Responsibility**

The Audit Committee has been set up in accordance with the Municipal Finance Management Act, No. 56 of 2003 (Section 166) and operates within the terms of the Audit Committee Charter which is to be approved by the Council of the Mtubatuba Local Municipality.

Section 121(4) (g) of the Municipal Finance Management Act, No. 56 of 2003 requires that the annual report must include any recommendations of the Municipality's Audit Committee.

**In the conduct of its duties, the Audit Committee has performed the following statutory duties:**

### **1. Reviewed internal financial control and internal audits**

For the purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Charter, the Audit Committee relies on the work done by internal audit which is outsourced to EY (Ernst & Young) who were appointed in January 2015 for a three year contract. The internal audit function was operational from this date onwards.

The internal audit plan for the financial year ending 30 June 2015 was presented and accepted by the Audit Committee. The plan also included the hours for each audit in terms of capacity needed and capacity available. The Audit Committee at each meeting; assesses performance against the plan and reviews the plan to ensure that critical risks of the operations of the Municipality and the findings of the Auditor-General are addressed.

Six reports, including the one performance internal audit report for the Municipality (covering quarters 1 to 3), were completed and tabled at the Audit Committee meetings held during the reporting period. Further reports are in progress and are due to be tabled at the next meeting.

The internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. To further enhance the processes in place, internal audit conducts follow up audits on previously reported internal audit findings and report progress to senior management and the Audit Committee.

The Audit Committee has expressed concern that the overall internal audit conclusions indicated an inadequate control framework resulting in significant control weaknesses being noted in certain areas. Management has reported that they are in the process of implementing appropriate systems of internal controls and corrective action to address the identified weaknesses and possible irregularities, which Management have fully accepted. They have also acknowledged that although there are controls in place, the existing systems and procedures require enhancement and continued monitoring.

### **2. Risk Management**

The Municipality conducted a risk assessment workshop for financial year 2014/15, assisted by Provincial Treasury, and the top key risks were identified, measured and prioritized. The Risk Register was therefore used as a basis of formulating the Annual Internal Audit Plan, taking into account the prioritization of the key risks. The Municipality currently does not have a resource that is dedicated to Risk Management, nor does it have a risk committee.

The Audit Committee has raised this concern with management, and was assured that this will be looked into.

### **3. Review of financial statements and Accounting Policies.**

The Audit Committee has the obligation to review the Municipality's annual financial statements and provide the Council with an authoritative and credible view of the Municipality's financial position.

The Audit Committee however, sat to review the Annual Financial Statements for the year ended 30 June 2015, in a meeting held on 25 August 2015.

The draft financial statements were subjected to a review by Internal Audit, in order to assess the adequacy and appropriateness of the accounting policies, compliance with the GRAP standards in respect of the presentation and disclosure in AFS, and also to review accuracy and completeness of the information reported in the financials.

The review was further extended to the extent to which the AG matters had been addressed, including the review of the evidence supporting the figures reported in the AFS.

The audit committee therefore placed reliance on the report of the Internal Auditors on the Annual Financial Statement for the year ended 30 June 2015.

The review revealed that there was an improvement in terms of the extent to which the AG matters had been addressed, the financial information reported was to a large extent supported by suitable evidence and the information contained therein, although some still needed to be finalized, was credible and reliable.

The financials were therefore approved with changes that still needed to be effected, especially in areas relating to Property Plant and Equipment.

To this end we would like to congratulate Mtubatuba Municipality for obtaining an unqualified report from the Auditor General for the year ended 30 June 2015. The hard work and commitment shown by management, staff and other support structures, during the audit process resulted in the favourable audit opinion.

### **4. The adequacy, reliability and accuracy of financial reporting and information**

The Audit Committee has engaged with Provincial Treasury and the Auditor General in respect of the status of reporting at the Municipality and of the implementation of measures to address matters raised by the AG in 2013/14 audit report.

Concerns raised through these engagements have been discussed with management, and the Audit Committee has been assured that the concerns raised are receiving attention.

### **5. Performance Management**

The Audit Committee also serves as the Performance Audit Committee for Mtubatuba Municipality. The legal responsibilities of the Audit Committee in this regard are set out in terms of the Local Government: Municipal Planning and Performance Management Regulations 2001 (Section 14) (Regulations).

No performance reports have been submitted to the Audit Committee to date, therefore the Audit Committee is not in a position to report on the status of performance at the Municipality. However, an internal audit was conducted on PMS for quarters 1 to 3 of 2014/15. The conclusion of the audit was that the controls around PMS were unsatisfactory.

The Audit Committee was assured by management that the findings and recommendation made by the internal auditors and the Audit Committee were being addressed. However, some of the findings could only be addressed in the financial year 2015/16 due to their nature, these mainly related to the non-alignment and structuring of the PMS documents, for example the IDP, SDBIP etc.

The Annual Performance Report could also not be reviewed by the Audit Committee as it was not ready for submission during the review conducted on 25 August 2015.

## **6. Effective Governance**

The Audit Committee fulfils an oversight role regarding the Municipality's reporting process, including the system of internal financial control. It is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the Municipality to enable it to discharge its duties. Furthermore, the Audit Committee oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the Audit Committee, primarily through its chairperson.

## **7. Compliance with Legislation and Ethics**

The Audit Committee has noted instances of non-compliance with policies and procedures, the Municipal Finance Management Act and National Treasury Regulations.

The areas of non-compliance have been noted, mainly through the reports submitted by internal audit. In the internal audit reports, management have provided comments on the findings, recommendations and timing of the action thereof.

## **8. Recommendations**

- The Council and management need to enhance internal controls over SCM processes;
- Management should ensure that accurate, reliable and complete financial and performance information is submitted quarterly for review by the Audit Committee;
- Management should prioritise the implementation of the AG action plan, to ensure that matters raised by the AG are addressed timeously.
- The Council and Management to incorporate risk management as part of its daily operations and to also exercise responsibility over this area.
- The Council and management need to urgently implement the policy and monitor controls over performance management and reporting.
- Management to review the IT environment at the municipality and implement recommendations made by the auditors, to enhance IT security and safeguarding of information.

## **Conclusion**

The implementation and maintenance of proper systems of internal controls, risk management, the prevention of fraud and errors, safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are the responsibility of Council. The role of the Audit Committee is to monitor the efficiency of the procedures and mechanism which Council has put in place in order to ensure that its policies and procedures are adhered to.

We can report that, taking into account the exceptions noted, recommendations made above and based on the reports submitted to us, our overall impression is that the systems and procedures implemented by Management and Council are steadily improving, but continuous monitoring.

The Audit Committee would like to commend the leadership, management and staff of Mtubatuba Municipality for their efforts to improve the systems at the Municipality and for the assistance given to the Audit Committee in discharging its duties as laid out in S 166 of the Municipal Finance Management Act.

**On behalf of the Audit Committee**

**Ms. Nosipho Mchunu**  
**Chairperson**

**January 2016**

# **VOLUME II – ANNUAL FINANCIAL STATEMENTS**



Mtubatuba Municipality  
(Registration number KZN 275)

Annual Financial Statements  
for the year ended 30 June 2015

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## General Information

### Legal form of entity

Municipality

### Mayoral committee

Executive Committee

Clr IF Nyawo – Mayor  
Clr A Roy - Deputy Mayor

Clr MA Gina – Speaker

Clr MM Davies

Clr DR Ntuli

Clr VM Gumede

Councillors

Clr LG Mkhwanazi

Clr SM Khumalo

Clr MZ Shobede

Clr MM Zikhali

Clr ZW Mathonsi

Clr CT Buthelezi

Clr SN Sibiya

Clr NT Gumede

Clr VB Ndlanzi

Clr RBB Mkhwanazi

Clr P Mkhwanazi

Clr FZ Nkwanyana

Clr MP Ndlovu

Clr JM Ntombela

Clr PN Xulu

Clr SJ Khoza

Clr VVB Madonsela

Clr PR Jobe

Clr SR Khumalo

Clr DL Gumbi

Clr LM Mkhwanazi

Clr KI Kheswa

Clr NE Zuma

Clr EM Msweli

Clr SM Gumede

Clr RH Mfeka

Clr VT Myeni

Clr MQ Mkhwanazi

Clr RM Bukhosini

Clr SJ Shezi

Clr MB Zulu

Clr N Mdluli

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## General Information

<b>Grading of local authority</b>	Grade 3
<b>Acting Accounting Officer</b>	SR Mathobela
<b>Acting Chief Finance Officer (CFO)</b>	NQ Mzimela
<b>Registered office</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Business address</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Postal address</b>	PO Box 52 Mtubatuba 3935
<b>Bankers</b>	First National Bank Mtubatuba
<b>Auditors</b>	Auditor General South Africa Registered Auditors
<b>Lawyers</b>	Ngubane & Associates

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Index

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

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 5 to 50, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2015 and were signed on its behalf by:

---

**Accounting Officer**  
**Designation**

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

	Note(s)	2015	2014
	1 5	2 6	3 7 4 8 Restat ed*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	7	950 762	631 522
VAT receivable	8	709 403	52 553
Trade and other receivables from exchange transactions	9	19 707 116	13 277 368
Cash and cash equivalents	10	13 844 399	894 936
		<b>35 211 680</b>	<b>14 856 379</b>
<b>Non-Current Assets</b>			
Investment property	4	45 832 130	37 322 304
Property, plant and equipment	3	306 108 714	288 287 919
Intangible assets	5	321 839	424 302
Heritage assets	6	1 020 835	1 020 835
		<b>353 283 518</b>	<b>327 055 360</b>
<b>Total Assets</b>		<b>388 495 198</b>	<b>341 911 739</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long-term loan - DBSA	13	697 313	676 050
Finance lease obligation	11	624 249	873 575
Payables from exchange transactions	15	14 802 782	19 261 610
Third party payable	16	1 610 565	1 419 571
Unspent conditional grants and receipts	12	3 268 940	9 780 098
Income received in advance		654 311	822 460
		<b>21 658 160</b>	<b>32 833 364</b>
<b>Non-Current Liabilities</b>			
Long-term loan - DBSA	13	901 514	1 235 642
Finance lease obligation	11	49 009	672 964
Employee benefit obligation	38	2 227 000	2 087 000
Provisions	14	3 671 842	3 322 934
		<b>6 849 365</b>	<b>7 318 540</b>
<b>Total Liabilities</b>		<b>28 507 525</b>	<b>40 151 904</b>
<b>Net Assets</b>		<b>359 987 673</b>	<b>301 759 835</b>
Accumulated surplus		359 987 673	301 759 835

\* See Note 37 & 30

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

	Note(s)	2015	2014 Restat ed*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	40	3 275 127	3 008 407
Rendering of services		1 581 846	1 492 908
Rental of facilities and equipment		239 247	221 325
Interest on consumer debtors		6 730 372	5 688 123
Licences and permits		2 504 233	2 790 357
Administration and management fees received		532 377	1 232 539
Fees earned		425 498	507 917
Interest received - investment	42	761 127	517 055
<b>Total revenue from exchange transactions</b>		<b>16 049 827</b>	<b>15 458 631</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates		21 377 512	19 262 306
<b>Transfer revenue</b>			
Government grants & subsidies	17	121 057 167	102 041 742
Fines	41	1 281 579	1 531 312
<b>Total revenue from non-exchange transactions</b>		<b>143 716 258</b>	<b>122 835 360</b>
<b>Total revenue</b>	39	<b>159 766 085</b>	<b>138 293 991</b>
<b>Expenditure</b>			
Employee related costs	19	(41 571 149)	(39 180 983)
Remuneration of councillors	20	(7 208 730)	(10 594 229)
Depreciation, amortisation and impairment	22	(16 287 459)	(13 134 264)
Finance costs	23	(1 150 811)	(1 076 946)
Debts written off / rebates	21	(8 077 408)	(12 139 269)
Repairs and maintenance		(6 526 351)	(4 008 513)
Contracted services	25	(10 339 328)	(9 628 888)
General Expenses	18	(20 938 654)	(29 324 535)
<b>Total expenditure</b>		<b>(112 099 890)</b>	<b>(119 087 627)</b>
<b>Operating surplus</b>		<b>47 666 195</b>	<b>19 206 364</b>
Fair value adjustments		8 509 826	-
Gain or (loss) on sale of assets		(36 986)	(1 494 107)
Donations		2 088 800	-
		<b>10 561 640</b>	<b>(1 494 107)</b>
<b>Surplus for the year</b>		<b>58 227 835</b>	<b>17 712 257</b>

\* See Note 37 & 30

# Mtubatuba Municipality

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## Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>284 183 628</b>	<b>284 183 628</b>
Changes in net assets		
Surplus for the year	17 712 256	17 712 256
Fair value realised on disposal of non-current asset	2 883 258	2 883 258
Change in accounting policy	(2 087 003)	(2 087 003)
Prior period error	(932 304)	(932 304)
Total changes	17 576 207	17 576 207
<b>Restated* Balance at 01 July 2014</b>	<b>301 759 838</b>	<b>301 759 838</b>
Changes in net assets		
Surplus for the year	58 227 835	58 227 835
Total changes	58 227 835	58 227 835
<b>Balance at 30 June 2015</b>	<b>359 987 673</b>	<b>359 987 673</b>
Note(s)		

\* See Note 37 & 30

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## Cash Flow Statement

	Note(s)	2015	2014
			Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		22 207 601	21 601 955
Grants		121 057 167	102 041 742
Interest income		761 127	517 055
		<u>144 025 895</u>	<u>124 160 752</u>
<b>Payments</b>			
Employee costs		(48 749 647)	(49 775 212)
Suppliers		(47 867 705)	(39 167 927)
Finance costs		(1 150 811)	(1 076 946)
		<u>(97 768 163)</u>	<u>(90 020 085)</u>
<b>Net cash flows from operating activities</b>	26	<b><u>46 257 732</u></b>	<b><u>34 140 667</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(31 915 488)	(34 553 666)
Proceeds from non-current assets held for sale	4	-	1 315 790
Purchase of other intangible assets	5	(38 486)	(556 775)
		<u>(31 953 974)</u>	<u>(33 794 651)</u>
<b>Net cash flows from investing activities</b>		<b><u>(31 953 974)</u></b>	<b><u>(33 794 651)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long-term loan - dbsa		(312 864)	(538 306)
Movement in income received in advance		(168 149)	196 123
Finance lease payments		(873 281)	(742 050)
		<u>(1 354 294)</u>	<u>(1 084 233)</u>
<b>Net cash flows from financing activities</b>		<b><u>(1 354 294)</u></b>	<b><u>(1 084 233)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12 949 464</b>	<b>(738 217)</b>
Cash and cash equivalents at the beginning of the year		894 936	1 633 153
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>13 844 400</u></b>	<b><u>894 936</u></b>

\* See Note 37 & 30

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	4 034 000	(624 000)	<b>3 410 000</b>	3 275 127	<b>(134 873)</b>	
Rendering of services	1 658 000	(30 000)	<b>1 628 000</b>	1 581 846	<b>(46 154)</b>	
Rental of facilities and equipment	817 000	(505 000)	<b>312 000</b>	239 247	<b>(72 753)</b>	
Interest on consumer debtors	4 311 000	841 000	<b>5 152 000</b>	6 730 372	<b>1 578 372</b>	
Licences and permits	3 240 000	(866 000)	<b>2 374 000</b>	2 504 233	<b>130 233</b>	
Administration and management fees received	-	-	-	532 377	<b>532 377</b>	
Fees earned	-	-	-	425 498	<b>425 498</b>	
Interest received - investment	424 000	209 000	<b>633 000</b>	761 127	<b>128 127</b>	
<b>Total revenue from exchange transactions</b>	<b>14 484 000</b>	<b>(975 000)</b>	<b>13 509 000</b>	<b>16 049 827</b>	<b>2 540 827</b>	
<b>Revenue from non-exchange transactions</b>						
Property rates	23 585 000	(1 851 000)	<b>21 734 000</b>	21 377 512	<b>(356 488)</b>	
Other	1 745 000	(1 551 000)	<b>194 000</b>	-	<b>(194 000)</b>	
Government grants & subsidies	120 596 000	737 000	<b>121 333 000</b>	121 057 167	<b>(275 833)</b>	
Fines	1 269 000	(59 000)	<b>1 210 000</b>	1 281 579	<b>71 579</b>	
Gain on disposal of property, plant and equipment	4 425 000	(4 425 000)	-	-	-	
<b>Total revenue from non-exchange transactions</b>	<b>151 620 000</b>	<b>(7 149 000)</b>	<b>144 471 000</b>	<b>143 716 258</b>	<b>(754 742)</b>	
<b>Total revenue</b>	<b>166 104 000</b>	<b>(8 124 000)</b>	<b>157 980 000</b>	<b>159 766 085</b>	<b>1 786 085</b>	
<b>Expenditure</b>						
Employee related costs	(43 017 000)	(2 842 000)	<b>(45 859 000)</b>	(41 571 149)	<b>4 287 851</b>	
Remuneration of councillors	(10 502 000)	-	<b>(10 502 000)</b>	(7 208 730)	<b>3 293 270</b>	
Depreciation and amortisation	(7 791 000)	-	<b>(7 791 000)</b>	(16 287 459)	<b>(8 496 459)</b>	
Finance costs	(541 000)	-	<b>(541 000)</b>	(1 150 811)	<b>(609 811)</b>	
Debt written off/rebates	(5 159 000)	-	<b>(5 159 000)</b>	(8 077 408)	<b>(2 918 408)</b>	
Repairs and maintenance	(10 348 000)	1 570 000	<b>(8 778 000)</b>	(6 526 351)	<b>2 251 649</b>	
Contracted Services	(11 632 000)	1 585 000	<b>(10 047 000)</b>	(10 339 328)	<b>(292 328)</b>	
General Expenses	(18 740 000)	(4 214 000)	<b>(22 954 000)</b>	(20 938 654)	<b>2 015 346</b>	
<b>Total expenditure</b>	<b>(107 730 000)</b>	<b>(3 901 000)</b>	<b>(111 631 000)</b>	<b>(112 099 890)</b>	<b>(468 890)</b>	

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<b>Operating surplus</b>	<b>58 374 000</b>	<b>(12 025 000)</b>	<b>46 349 000</b>	<b>47 666 195</b>	<b>1 317 195</b>
Fair value adjustments	-	-	-	8 509 826	<b>8 509 826</b>
Loss on non-current assets held for sale or disposal groups	-	-	-	(36 986)	<b>(36 986)</b>
Donations	-	-	-	2 088 800	<b>2 088 800</b>
	-	-	-	<b>10 561 640</b>	<b>10 561 640</b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Surplus before taxation</b>	<b>58 374 000</b>	<b>(12 025 000)</b>	<b>46 349 000</b>	<b>58 227 835</b>	<b>11 878 835</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>58 374 000</b>	<b>(12 025 000)</b>	<b>46 349 000</b>	<b>58 227 835</b>	<b>11 878 835</b>	

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

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

These accounting policies are consistent with those applied in the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

- **Trade receivables**

The municipality assesses its trade receivables, held at amortised cost for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held at amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

- **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

- **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

- **Useful lives of property, plant and equipment**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

- **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 38.

- **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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## Accounting Policies

### 1.4 Investment property (continued)

#### • Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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## Accounting Policies

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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
Buildings	30
Plant and machinery	
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 – 5
Furniture and fixtures	7 – 10
Motor vehicles	5 – 10
Office equipment	7 – 10
Infrastructure	
• Roads and paving	15
• Pedestrian malls	30
• Electricity	20
• Water	15
• Housing	30
• Landfill sites	15
• Sewerage	15 - 20
Community	
• Recreational facilities	20 - 30
• Security measures	5
Other property, plant and equipment	5 – 10
Bins and containers	5
Specialised vehicles	5 – 20
•	

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

• <b>Item</b>	• <b>Useful life</b>
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### • **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### • **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### • **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### • **Impairment**

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

#### • **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1.8 Financial instruments

#### • **Classification**

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

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

#### • **Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### • **Subsequent measurement**

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### • **Impairment of financial assets**

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

#### • **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

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

Trade and other receivables are classified as financial assets at amortised cost.

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

### 1.8 Financial instruments (continued)

- **Payables from exchange transactions**

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.

### 1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

- **Finance leases – lessee**

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

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

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

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

- **Operating leases – lessee**

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

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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## Accounting Policies

### 1.10 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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## **Accounting Policies**

### **1.12 Employee benefits (continued)**

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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## Accounting Policies

### 1.12 Employee benefits (continued)

#### • **Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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## Accounting Policies

### 1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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## Accounting Policies

### 1.12 Employee benefits (continued)

#### • Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

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## Accounting Policies

### 1.13 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### • **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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## Accounting Policies

### 1.14 Revenue from exchange transactions (continued)

#### • Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

#### • Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

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

### 1.15 Revenue from non-exchange transactions

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### • Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### • Rates, including collection charges and penalties interest

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

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

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

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## Accounting Policies

### 1.15 Revenue from non-exchange transactions (continued)

#### • Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons is recognised based on the amount of each fine issued. Any subsequent court reduction on the amount of fines issued is accounted for as a change in the estimated revenue.

#### • Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.16 Borrowing costs

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

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

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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## Accounting Policies

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

### 1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.22 Conditional grants and receipts

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

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## Accounting Policies

### 1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.25 Offsetting

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

### 1.26 Events after the reporting date

There were no adjusting and non-adjusting events subsequent to the reporting date.

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

2015

2014

### 2. New standards and interpretations

#### 2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 25: Employee benefits	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	Not applicable
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not applicable
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not applicable.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 991 190	-	30 991 190	30 991 190	-	30 991 190
Buildings	40 275 698	(5 331 875)	34 943 823	40 055 698	(3 994 241)	36 061 457
Plant and machinery	800 000	(143 615)	656 385	288 402	(58 536)	229 866
Furniture and fixtures	1 912 283	(1 284 882)	627 401	1 985 914	(1 068 955)	916 959
Motor vehicles	2 769 920	(1 406 880)	1 363 040	1 753 754	(1 132 968)	620 786
Office equipment	1 805 027	(708 612)	1 096 415	1 234 963	(543 534)	691 429
Infrastructure	172 196 405	(41 468 349)	130 728 056	165 753 196	(31 292 964)	134 460 232
Community	58 458 073	(6 786 703)	51 671 370	47 433 826	(3 459 145)	43 974 681
Bins and containers	499 900	(163 033)	336 867	351 154	(116 278)	234 876
Other property, plant and equipment	120 774	(119 874)	900	131 010	(129 870)	1 140
Leased motor vehicles	3 392 281	(1 473 221)	1 919 060	3 392 281	(1 137 798)	2 254 483
Specialised vehicles	1 150 000	(19 167)	1 130 833	-	-	-
Water network	142 019	(12 857)	129 162	2 798	(433)	2 365
Work-in-progress	50 514 212	-	50 514 212	37 848 455	-	37 848 455
<b>Total</b>	<b>365 027 782</b>	<b>(58 919 068)</b>	<b>306 108 714</b>	<b>331 222 641</b>	<b>(42 934 722)</b>	<b>288 287 919</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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

#### Reconciliation of property, plant and equipment – 2015

	Opening balance	Additions	Disposals	Transfers	Donations	Depreciation	Impairment loss	Total
Land	30 991 190	-	-	-	-	-	-	30 991 190
Buildings	36 061 457	-	-	-	220 000	(1 337 634)	-	34 943 823
Plant and machinery	229 866	-	(15 979)	-	535 200	(90 948)	(1 754)	656 385
Furniture and fixtures	916 959	2 839	(12 638)	-	3 000	(278 205)	(4 554)	627 401
Motor vehicles	620 786	836 166	-	-	180 000	(273 912)	-	1 363 040
Office equipment	691 428	654 549	(8 368)	-	600	(238 309)	(3 485)	1 096 415
Infrastructure	134 460 233	-	-	6 443 208	-	(10 009 388)	(165 997)	130 728 056
Community	43 974 682	-	-	11 024 247	-	(1 863 388)	(1 464 171)	51 671 370
Bins and containers	234 876	149 500	-	-	-	(47 508)	-	336 868
Other property, plant and equipment	1 140	-	-	-	-	(240)	-	900
Leased motor vehicles	2 254 483	-	-	-	-	(335 423)	-	1 919 060
Specialised vehicles	-	-	-	-	1 150 000	(19 167)	-	1 130 833
Water network	2 365	139 221	-	-	-	(12 424)	-	129 162
Work-In-Progress	37 848 455	30 133 213	-	(17 467 456)	-	-	-	50 514 212
	<b>288 287 920</b>	<b>31 915 488</b>	<b>(36 985)</b>	<b>(1)</b>	<b>2 088 800</b>	<b>(14 506 546)</b>	<b>(1 639 961)</b>	<b>306 108 715</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

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

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Assets written off	Depreciation	Impairment loss	Total
Land	28 902 790	-	2 088 400	-	-	-	30 991 190
Buildings	37 244 340	151 048	-	-	(1 333 931)	-	36 061 457
Plant and machinery	46 723	235 909	-	(2 849)	(49 917)	-	229 866
Furniture and fixtures	891 143	549 175	-	(200 788)	(306 915)	(15 656)	916 959
Motor vehicles	698 989	164 500	-	-	(242 703)	-	620 786
Office equipment	786 094	308 990	-	(84 831)	(311 296)	(7 529)	691 428
Infrastructure	128 044 993	611 727	14 616 347	-	(8 812 834)	-	134 460 233
Community	31 932 767	-	13 443 708	-	(1 401 793)	-	43 974 682
Bins and containers	269 934	-	-	-	(35 058)	-	234 876
Security measures	11 068	-	-	(2 150)	(7 778)	-	1 140
Leased Motor Vehicles	2 589 906	-	-	-	(335 423)	-	2 254 483
Water tankers	2 765	-	-	-	(400)	-	2 365
Work-In-Progress	32 960 330	33 144 043	(28 060 055)	(195 863)	-	-	37 848 455
	<b>264 381 842</b>	<b>35 165 392</b>	<b>2 088 400</b>	<b>(486 481)</b>	<b>(12 838 048)</b>	<b>(23 185)</b>	<b>288 287 920</b>

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

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	45 832 130	-	45 832 130	37 322 304	-	37 322 304

#### Reconciliation of investment property – 2015

	Opening balance	Fair value adjustments	Total
Investment property	37 322 304	8 509 826	45 832 130

#### Reconciliation of investment property – 2014

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	41 371 684	(2 519 280)	(2 088 400)	558 300	37 322 304

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

### 5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1 007 455	(685 616)	321 839	968 968	(544 666)	424 302

#### Reconciliation of intangible assets – 2015

	Opening balance	Additions	Amortisation	Total
Intangible assets	424 302	38 486	(140 949)	321 839

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Intangible assets	140 558	556 775	(273 031)	424 302

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1 020 835	-	1 020 835	1 020 835	-	1 020 835

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Statue	1 020 835	1 020 835

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Statue	1 020 835	1 020 835

### 7. Receivables from non-exchange transactions

Fines	709 138	389 898
Other receivables from non-exchange revenue	241 624	241 624
	<b>950 762</b>	<b>631 522</b>

#### Included in receivables from non-exchange transactions is:

Fines	4 109 420	3 187 255
Other	241 624	241 624
Less: Credit impairment	(3 443 680)	(2 797 357)
	<b>950 762</b>	<b>631 522</b>

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(2 813 482)	-
Credit impairment - traffic fines	(586 800)	(2 676 260)
Credit impairment - other	(21 699)	(137 222)
	<b>(3 421 981)</b>	<b>(2 813 482)</b>

### 8. VAT receivable

VAT	709 403	52 553
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Mtubatuba Municipality accounts for VAT on cash basis.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>9. Trade and other receivables</b>		
<b>Gross balances</b>		
Rates	48 273 687	37 145 452
Refuse	11 486 934	9 829 549
Security	3 945 351	3 570 190
	<b>63 705 972</b>	<b>50 545 191</b>
<b>Less: Allowance for impairment</b>		
Rates	(32 781 684)	(27 840 991)
Refuse	(8 062 638)	(7 367 372)
Security	(3 154 534)	(2 059 459)
	<b>(43 998 856)</b>	<b>(37 267 822)</b>
<b>Net balance</b>		
Rates	15 492 003	9 304 461
Refuse	3 424 296	2 462 176
Security	790 817	1 510 731
	<b>19 707 116</b>	<b>13 277 368</b>
<b>Agriculture, business and mining</b>		
Current (0 -30 days)	1 544 482	737 606
31 - 60 days	459 980	1 073 807
61 - 90 days	403 039	381 468
91 - 120 days	384 130	363 725
121 - 365 days	8 946 042	6 042 985
	<b>11 737 673</b>	<b>8 599 591</b>
<b>Residential</b>		
Current (0 -30 days)	2 591 075	1 289 283
31 - 60 days	1 001 544	2 132 182
61 - 90 days	953 875	900 687
91 - 120 days	947 839	868 453
121 - 365 days	37 902 804	31 384 776
	<b>43 397 137</b>	<b>36 575 381</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### Other debtors

Current (0 -30 days)	490 387	163 812
31 - 60 days	225 613	265 856
61 - 90 days	200 908	143 795
91 - 120 days	213 806	102 502
121 - 365 days	7 440 448	4 694 254

**8 571 162**

**5 370 219**

### Total

Current (0 -30 days)	4 625 944	2 190 701
31 - 60 days	1 687 137	3 471 845
61 - 90 days	1 557 822	1 425 950
91 - 120 days	1 545 775	1 334 680
121 - 365 days	53 634 983	41 299 549
Add back: Credit balances in debtors	654 311	822 466
Less: Credit impairments	(43 998 856)	(37 267 823)

**19 707 116**

**13 277 368**

### Reconciliation of allowance for impairment

Balance at beginning of the year	(37 267 822)	(30 339 978)
Contributions to allowance	(6 731 034)	(6 927 844)

**(43 998 856)**

**(37 267 822)**

## 10. Cash and cash equivalents

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

Cash and cash equivalents consist of:

Cash on hand	4 760	1 427
Bank balances	13 197 345	395 649
Short-term deposits	359 629	354 106
Other cash and cash equivalents	282 666	143 753
	<b>13 844 400</b>	<b>894 935</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
First National Bank - Primary - 53093735184	13 182 186	423 561	1 447 164	13 182 186	377 085	1 436 629
First National Bank - Eskom - 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank - Money Market - 62424097831	52 260	50 397	-	52 260	50 397	-
First National Bank - Call Account - 62424098376	85 126	82 090	-	85 126	82 090	-
First National Bank - Money Market 3 - 62424094986	30 643	30 019	-	30 643	30 019	-
First National Bank - Traffic Fines	274 045	136 097	-	274 045	136 097	-
First National Bank - Petty cash - 62393938249	15 159	18 564	-	15 159	18 564	-
Cash on hand	-	-	-	4 760	1 427	-
Cashiers collection	-	-	-	8 621	7 656	-
<b>Total</b>	<b>13 831 019</b>	<b>932 328</b>	<b>1 638 764</b>	<b>13 844 400</b>	<b>894 935</b>	<b>1 628 229</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	49 009	873 575
- in second to fifth year inclusive	624 249	672 964
	<hr/>	<hr/>
<b>Present value of minimum lease payments</b>	<b>673 258</b>	<b>1 546 539</b>
	<hr/>	<hr/>
Non-current liabilities	49 009	672 964
Current liabilities	624 249	873 575
	<hr/>	<hr/>
	<b>673 258</b>	<b>1 546 539</b>
	<hr/>	<hr/>
<p>It is municipality policy to lease certain motor vehicles and equipment under finance leases.</p> <p>The average lease term was 5 years and the average effective borrowing rate was 9% (2014: 9%).</p> <p>Interest rates are linked to prime at the contract date.</p>		
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Low Cost Housing Grant	1 232 377	1 232 377
Infrastructure Sport Facilities	1 952 828	525 000
Rural electrification	-	485 373
Corridor development grant	-	7 300 000
MTB library computer assistance	66 068	65 188
Expanded public works	-	5 455
Sport & recreation grant	17 667	166 704
	<hr/>	<hr/>
	<b>3 268 940</b>	<b>9 780 097</b>
	<hr/>	<hr/>
<b>Movement during the year</b>		
Balance at the beginning of the year	9 780 098	14 869 840
Additions during the year	36 644 000	40 318 000
Income recognition during the year	(43 155 158)	(41 307 706)
Amount offset against equitable share	-	(4 100 036)
	<hr/>	<hr/>
	<b>3 268 940</b>	<b>9 780 098</b>
	<hr/>	<hr/>
<b>13. Long-term loan</b>		
<b>At amortised cost</b>		
Development Bank of Southern African loan	1 598 827	1 911 691
	<hr/>	<hr/>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

The DBSA loan is repaid over a period of 10 years and has a redemption date of 30 September 2018 at a fixed interest rate of 8.16%. The DBSA loan is not secured.

Management of the Municipality is of the opinion that the carrying value of long-term liabilities recorded at amortised cost in the financial statements approximate the fair value of the loan.

### Non-current liabilities

At amortised cost

901 514

1 235 642

### Current liabilities

At amortised cost

697 313

676 050

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 14. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	3 322 934	348 908	3 671 842

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	3 007 180	315 754	3 322 934

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5% over an average period of 5 years.

### 15. Payables from exchange transactions

Trade payables	5 324 730	7 588 159
Accrued leave pay	4 337 348	4 781 732
Accrued bonus	909 955	889 972
Accrued expenses	1 211 559	2 990 581
Retentions	3 019 190	3 011 166
	<b>14 802 782</b>	<b>19 261 610</b>

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

### 16. Third party payables

Medical aid contributions	314 490	287 048
PAYE, SDL & UIF	564 798	467 765
Pension fund contributions	612 260	451 849
Other contributions	119 017	212 909
	<b>1 610 565</b>	<b>1 419 571</b>

Third party payables in respect of all payroll related deductions.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	81 379 000	60 734 000
Capacity building	121 263	-
Finance management grant / budget and treasury office	1 800 000	1 650 000
Library provincial support grant / libraries and archives	3 701 747	2 215 000
M T B library assistants - cadets/libraries and archives	251 120	251 893
MSIG ward committee expenditure	-	890 000
EPWP/Road transport/Roads	1 064 455	994 545
Sport Caretakers/Community	149 037	133 296
Operational National Electrification	1 500 000	-
Infrastructure Sport Facilities Grant	147 172	-
MSIG Ward Committees	934 000	-
MIG Operational	484 337	-
	<u>91 532 131</u>	<u>66 868 734</u>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	29 039 663	27 397 979
National Electrification Programme	485 373	7 160 965
Small Town Rehabilitation	-	614 064
	<u>29 525 036</u>	<u>35 173 008</u>
	<u><b>121 057 167</b></u>	<u><b>102 041 742</b></u>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Low cost housing grant</b>		
Balance unspent at beginning of year	<u>1 232 377</u>	<u>1 232 377</u>
Conditions still to be met - remain liabilities (see note 12).		
<b>Infrastructure sport facilities</b>		
Balance unspent at beginning of year	525 000	-
Current-year receipts	1 575 000	525 000
Conditions met - transferred to revenue	(147 172)	-
	<u><b>1 952 828</b></u>	<u><b>525 000</b></u>
Conditions still to be met - remain liabilities (see note 12).		

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 17. Government grants and subsidies (continued)

#### Rural electrification

Balance unspent at beginning of year	485 373	2 446 338
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(485 373)	(7 160 965)
Other	-	(2 800 000)
	<u>-</u>	<u>485 373</u>

Conditions still to be met - remain liabilities (see note 12).

#### Corridor development funding

Balance unspent at beginning of year	7 300 000	6 482 506
Grant-Repayment to COGTA	(7 300 000)	-
Correction of prior period error	-	817 494
	<u>-</u>	<u>7 300 000</u>

Conditions still to be met - remain liabilities (see note 12).

#### MTB Library Computer Assistance

Balance unspent at beginning of year	65 188	77 082
Current-year receipts	252 000	240 000
Conditions met - transferred to revenue	(251 120)	(251 894)
	<u>66 068</u>	<u>65 188</u>

Conditions still to be met - remain liabilities (see note 12).

#### Extended public works

Balance unspent at beginning of year	5 455	-
Current-year receipts	1 059 000	1 000 000
Conditions met - transferred to revenue	(1 064 455)	(994 545)
	<u>-</u>	<u>5 455</u>

Conditions still to be met - remain liabilities (see note 12).

#### Municipal infrastructure grant

Balance unspent at beginning of year	-	3 199 979
Current-year receipts	29 524 000	25 498 000

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>17. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(29 524 000)	(27 397 979)
Other	-	(1 300 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12).

### Sport & recreation caretakers

Balance unspent at beginning of year	166 704	-
Current-year receipts	-	300 000
Other	(149 037)	(133 296)
	<u>17 667</u>	<u>166 704</u>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 17. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

#### Finance management grant

Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(1 800 000)	(1 650 000)
	-	-

Conditions still to be met - remain liabilities (see note 12).

### 18. General expenses

Advertising	286 991	529 795
Auditors remuneration	1 116 379	2 011 771
Bank charges	111 689	170 550
Consulting and professional fees	6 042 161	1 115 261
Consumables	363 835	733 320
Entertainment	-	6 000
Insurance	248 270	386 178
IT expenses	731 302	1 030 084
Motor vehicle expenses	221 233	140 773
Fuel and oil	813 384	1 044 609
Postage and courier	70 852	93 893
Printing and stationery	692 818	510 992
Subscriptions and membership fees	-	1 356 626
Telephone and fax	935 041	1 167 859
Training	159 729	464 679
Travel - local	588 395	1 815 691
Electricity	927 637	725 344
Uniforms	308 230	207 584
Special Programmes	1 907 509	1 827 185
Grants	-	13 740
Other Expenses	3 235 671	12 577 838
Lease rentals on operating lease	2 177 528	1 394 764
	<b>20 938 654</b>	<b>29 324 536</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>19. Employee related costs</b>		
Basic	26 708 258	23 105 088
Medical aid - company contributions	2 181 286	1 910 519
UIF	249 958	231 681
SDL	388 909	408 972
Other payroll levies	12 559	11 760
Leave pay provision charge	(83 346)	2 063 725
Group life insurance	1 998 802	-
Short term benefit	958 658	1 238 201
Defined contribution plans	3 291 703	2 670 539
Travel, motor car, accommodation, subsistence and other allowances	102 009	15 388
Overtime payments	700 563	2 497 547
13th Cheques	1 693 709	1 634 074
Car allowance	2 647 050	2 796 373
Housing benefits and allowances	659 103	497 492
Telephone allowances	115 930	99 623
Long-term benefits - incentive scheme	(54 000)	-
	<b>41 571 151</b>	<b>39 180 982</b>
<b>Remuneration - Municipal Manager</b>		
Annual Remuneration	544 820	576 853
Car Allowance	204 350	226 787
Cellphone allowance	24 000	24 000
Other	224 292	344 910
	<b>997 462</b>	<b>1 172 550</b>
<b>Remuneration - Chief Finance Officer</b>		
Annual Remuneration	456 107	435 857
Car Allowance	181 607	181 607
Cellphone allowance	20 000	14 000
Other	179 096	137 081
	<b>836 810</b>	<b>768 545</b>
<b>Remuneration - Director Corporate Services</b>		
Annual Remuneration	505 912	390 390
Car Allowance	180 000	150 000
Cellphone allowance	24 000	14 000
Other	155 039	132 081
	<b>864 951</b>	<b>686 471</b>
<b>Remuneration - Director Community Services</b>		
Annual Remuneration	617 374	576 853
Car Allowance	181 003	181 002
Cellphone allowance	24 000	21 500
Other	59 676	95 167
	<b>882 053</b>	<b>874 522</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015 2014

### Remuneration - Director Technical Services

Annual Remuneration	617 374	576 853
Car Allowance	165 918	181 002
Cellphone allowance	24 000	21 500
Other	41 827	71 832
	<b>849 119</b>	<b>851 187</b>

### 20. Remuneration of councillors

The Mayor	342 130	605 873
Deputy Mayor	191 232	465 267
Mayoral Committee Members	656 025	1 706 989
Speaker	283 968	725 190
Councillors	5 735 376	7 090 909
	<b>7 208 731</b>	<b>10 594 228</b>

### In-kind benefits

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

The Mayor has the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two and one full-time bodyguards respectively.

The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.

### 21. Debt impairment and write offs

Debt impairment/(reversal of debt impairment)	7 317 834	9 741 326
Debts written off	759 574	2 397 943
	<b>8 077 408</b>	<b>12 139 269</b>

Debts written off relates to 50% amnesty and write-offs in respect of indigent consumers as approved by the Council.

### 22. Depreciation, amortisation and impairment

Property, plant and equipment	16 146 509	12 861 233
Intangible assets	140 950	273 031
	<b>16 287 459</b>	<b>13 134 264</b>
Interest on borrowings	268 834	708 281
Interest other	881 977	368 665
	<b>1 150 811</b>	<b>1 076 946</b>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>24. Auditors' remuneration</b>		
Fees	<u>1 116 379</u>	<u>2 011 771</u>
<b>25. Contracted services</b>		
Other Contractors	<u>10 339 328</u>	<u>9 628 888</u>
<b>26. Cash generated from operations</b>		
Surplus	58 227 835	17 712 256
<b>Adjustments for:</b>		
Depreciation and amortisation	16 287 459	13 134 264
Gain or (loss) on sale of assets	36 986	1 494 107
Donations	(2 088 800)	-
Fair value adjustments	(8 509 826)	-
Debt written off / rebates	8 077 408	12 139 269
Movements in operating lease assets and accruals	-	187 739
Movements in retirement benefit liabilities	140 000	2 087 000
Movements in provisions	348 908	315 754
<b>Changes in working capital:</b>		
Consumer debtors	(14 507 157)	(15 120 553)
Other receivables from non-exchange transactions	(319 240)	1 613 652
Payables from exchange transactions	(4 458 826)	2 121 918
VAT	(656 851)	3 322 712
Third party payables	190 994	222 291
Unspent conditional grants and receipts	(6 511 158)	(5 089 742)
	<u><b>46 257 732</b></u>	<u><b>34 140 667</b></u>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

	2015	2014
<b>27. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	5 336 853	15 863 354
• Electrification	-	4 485 905
	<b>5 336 853</b>	<b>20 349 259</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Infrastructure	54 611 508	34 792 461
• Electrification	9 102 425	9 500 000
	<b>63 713 933</b>	<b>44 292 461</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	5 336 853	20 349 259
Not yet contracted for and authorised by accounting officer	63 713 933	44 292 461
	<b>69 050 786</b>	<b>64 641 720</b>

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	1 447 546	1 608 714
- in second to fifth year inclusive	1 363 691	1 491 201
	<b>2 811 237</b>	<b>3 099 915</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

### 28. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities:  
**2015**

(1) Cliopique (Pty) Ltd t/a Umthunzi Hotel and Conference - the company is claiming for services rendered to the municipality officials. The amount claimed is R90 000. The matter is currently at litigation stage.  
(2) Thokozani Ndlanzi - the municipality is a third respondent in this matter. The plaintiff claimed R400 000 and cost.  
(3) Simphiwe SR Myeni & Others - application. The matter is pending and the estimated financial exposure including cost is R220 000.

(4) Simphiwe SR Myeni & Others - civil matter. The matter is pending and the estimated financial exposure including cost is R200 000.

(5) Siyabonga R Ntuli - civil matter. The matter is pending and the estimated financial exposure including cost is R300 000.

### 29. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

2015

2014

### 30. Prior period errors

#### 1. Trade and other payables

Through the detailed review of the creditors age analysis and direct confirmation with the suppliers, the municipality discovered that some of the credit balances as at 30 June 2014 were invalid. This resulted to overstatement of trade creditors balance and constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

#### 2. Retention and Capital Work-In-Progress

During the 2015 financial year the municipality received litigation claim from Nkonka Civil relating to unpaid retention in respect of the project completed in 2012 financial year. The retention liability in respect of this project was not previously recognised in the municipality's accounting records, consequently retention and work-in-progress account balances were misstated. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

#### 3. Unspent conditional grants

Through the detailed review of the unspent conditional grants general ledger account, in respect of Corridor Development Funding, and confirmation from the transferring officer CoGTA, the municipality confirmed that the conditional grant liability was understated on the municipality's financial records in the prior years. The error resulted from over-realisation of revenue during 2012 financial period. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

#### 4. Property plant and equipment - Land

The municipality has reclassified certain items under investment properties that no longer meet the definition of investment property, into property plant and equipment.

#### 5. Work-In-Progress

The following misstatements on the 2014 Work in Progress account balance were discovered during the current financial year:

Expenditure relating to Ntandabantu Tourism Centre was not capitalised in 2014/2015 financial year and remained in Work in Progress account. The project became available for use during February 2014.

Expenditure relating to Small Town rehabilitation amounting to R195 863 was erroneously capitalised in Work in Progress account balance.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Trade and other payables	-	92 400
Work-in-progress	-	807 590
VAT	-	74 294
Retentions	-	(697 368)
Unspent conditional grants	-	(817 494)
Property plant and equipment - Land	-	2 088 400
Investment property	-	(2 088 400)
Work in progress	-	(1 161 831)
Property plant and equipment - Community	-	1 161 831
		<hr/>
Opening Accumulated Surplus or Deficit	-	(932 304)

#### Statement of Financial Performance

Depreciation expense	-	87 794
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# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 31. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Trade and other receivables from exchange transactions	3 252 829	3 150 448
Trade and other receivables from non-exchange transactions	15 066 931	10 126 920

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The DBSA loan has a fixed interest rate which is not linked to the prime rate.

### 32. 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 municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 33. Events after the reporting date

There were no adjusting events after the reporting date.

### 34. Unauthorised expenditure

Opening balance	31 293 829	17 323 928
Current year movement - actual expenditure exceeds budget	12 353 992	17 902 696
Other expenditure - bodyguards MM	-	418 730
Prior year unspent conditional grants realised during the year	-	(4 351 525)
	<u>43 647 821</u>	<u>31 293 829</u>

The current year over-expenditure relates to non-cash items in respect of Depreciation, Credit impairment, Provision for 13th cheque bonus and the Provision for accumulated leave days.

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## Notes to the Annual Financial Statements

	2015	2014
<b>35. Fruitless and wasteful expenditure</b>		
Opening balance	1 083 156	767 638
Interest on late payments	51 576	27 799
Penalties - SARS	325 241	287 719
	<u>1 459 973</u>	<u>1 083 156</u>

### 36. Irregular expenditure

Opening balance	36 098 784	27 835 126
Add: Irregular Expenditure - current year	2 735 763	8 263 658
Add: SCM Deviations	1 128 113	-
Less: SCM deviation reported	(1 128 113)	-
	<u>38 834 547</u>	<u>36 098 784</u>

### 37. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of GRAP 100 in respect of assets that were previously classified as non-current asset held for sale and GRAP 25 Post-retirement medical aid benefit.

#### Non-Current Assets Held For Sale

GRAP 100 Non-Current Assets Held For Sale and Discontinued operations was revised in February 2013. The revised GRAP 100 Discontinued operations is applicable from the 1 April 2014. The municipality has previously intended to realise certain plots of land through disposal. These plots was accounted for as Non-Current Assets Held For Sale. Due to amendments in GRAP 100, the municipality has adopted GRAP 16 Investment Property as the accounting policy for these plots of land. Therefore the plots of land have been reclassified into Investment Property account balance

#### Post-employment medical aid benefit

During the year, the municipality has adopted GRAP 25 as its accounting policy with respect to the treatment of post-retirement medical aid benefit. The municipality has previously accounted for this cost on cash basis.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2015 is as follows:

#### Statement of financial position

##### Investment property

Investment properties	-	13 168 404
Non-current assets held for sale	-	(13 168 404)
	<u>-</u>	<u>-</u>

##### Post-retirement medical aid benefit

Post-retirement medical aid liability	-	(2 087 000)
Retained income	-	2 087 000
	<u>-</u>	<u>-</u>

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 38. Medical Aid Subsidy Liability

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of funded obligation	(2 227 000)	(2 087 000)
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2 087 000	2 087 000
Interest cost	194 000	-
Benefits paid	(120 000)	-
Actuarial (gains)Loss	66 000	-
	<u>2 227 000</u>	<u>2 087 000</u>

#### Key assumptions used

Independent valuers, Diverse Expertise, One Solution, carried out a statutory valuation on an annual basis. The principal actuarial assumptions used at the reporting date were as follows:

Discount rates used	8.69%	9.95%
Consumer price index	6.38%	7.12%
Healthcare cost inflation	7.88%	8.62%
Net discount rate	0.75%	0.89%

#### Other assumptions

Profile of active employees:

	<b>Number of continuation pensioners</b>
Age<54	-
Age 55-59	1
Age 60-64	-
Age 65-69	2
Age 70-74	1
Age>79	-
Average age	65
Average employer monthly contribution	2 407

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015 2014

### 43. Comparative figures (continued)

#### 39. Revenue

Rendering of services	1 581 846	1 492 908
Service charges	3 275 127	3 008 407
Rental of facilities and equipment	239 247	221 325
Interest received - trading	6 730 372	5 688 123
Licences and permits	2 504 233	2 790 357
Administration and management fees received	532 377	1 232 539
Fees earned	425 498	507 917
Interest received - investment	761 127	517 055
Property rates	21 377 512	19 262 306
Government grants & subsidies	121 057 167	102 041 742
Fines	1 281 579	1 531 312
	<b>159 766 085</b>	<b>138 293 991</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	3 275 127	3 008 407
Rendering of services	1 581 846	1 492 908
Rental of facilities and equipment	239 247	221 325
Interest received	6 730 372	5 688 123
Licences and permits	2 504 233	2 790 357
Administration and management fees received	532 377	1 232 539
Fees earned	425 498	507 917
Interest received - investment	761 127	517 055
	<b>16 049 827</b>	<b>15 458 631</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates	21 377 512	19 262 306
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##### Transfer revenue

Government grants & subsidies	121 057 167	102 041 742
Fines	1 281 579	1 531 312
	<b>143 716 258</b>	<b>122 835 360</b>

#### 40. Service charges

Refuse removal	3 275 127	3 008 407
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#### 41. Fines

Fines	1 276 186	1 526 127
Library fines	5 393	5 185
	<b>1 281 579</b>	<b>1 531 312</b>

#### 42. Interest revenue

##### Interest revenue

Bank	761 127	517 055
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# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

2015

2014

### 43. Comparative figures (continued)

#### 43. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of Financial Performance

Repairs and maintenance	-	179 562
Contracted services	-	(142 750)
General expenses	-	(36 814)

### 44. Additional disclosure in terms of Municipal Finance Management Act

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	-	2 715	2 715
Mr NE Zuma	-	15 089	15 089
Mr RB Mkhwanazi	-	36 071	36 071
Mrs AR Roy	-	42 691	42 691
	<hr/>	<hr/>	<hr/>
	-	<b>96 566</b>	<b>96 566</b>
	<hr/>	<hr/>	<hr/>
30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr EK Magwaza	-	47 377	47 377
Mrs NA Dhlamini	-	4 507	4 507
Mrs MM Davies	-	334	334
Mr T Ndlovu	-	51	51
Mrs NG Khumalo	-	14 917	14 917
	<hr/>	<hr/>	<hr/>
	-	<b>67 186</b>	<b>67 186</b>
	<hr/>	<hr/>	<hr/>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

## Appendix A

June 2015

### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Development Bank of South Africa</b>							
Non-current portion - DBSA	43373	1 235 642	-	334 129	901 513	-	-
Current portion - DBSA	43373	676 050	21 265	-	697 315	-	-
		<b>1 911 692</b>	<b>21 265</b>	<b>334 129</b>	<b>1 598 828</b>	-	-
<b>Lease liability</b>							
Non-current portion -ABSA	Various	441 991	-	441 991	-	-	-
Non-current portion - WESBANK	Various	230 973	-	181 964	49 009	-	-
Current portion - ABSA	Various	710 781	-	268 762	442 019	-	-
Current portion - WESBANK	Various	162 794	19 437	-	182 231	-	-
		<b>1 546 539</b>	<b>19 437</b>	<b>892 717</b>	<b>673 259</b>	-	-
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		1 911 692	21 265	334 129	1 598 828	-	-
Lease liability		1 546 539	19 437	892 717	673 259	-	-
		<b>3 458 231</b>	<b>40 702</b>	<b>1 226 846</b>	<b>2 272 087</b>	-	-



Other	14 854 158	10 128 888	-	-	-	-	<b>24 983 046</b>	(687 091)	-	-	(874 101)	-	<b>(1 561 192)</b>	23 421 854
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>47 433 826</b>	<b>11 024 245</b>	-	-	-	-	<b>58 458 071</b>	<b>(3 459 144)</b>	-	-	<b>(3 327 559)</b>	-	<b>(6 786 703)</b>	<b>51 671 368</b>