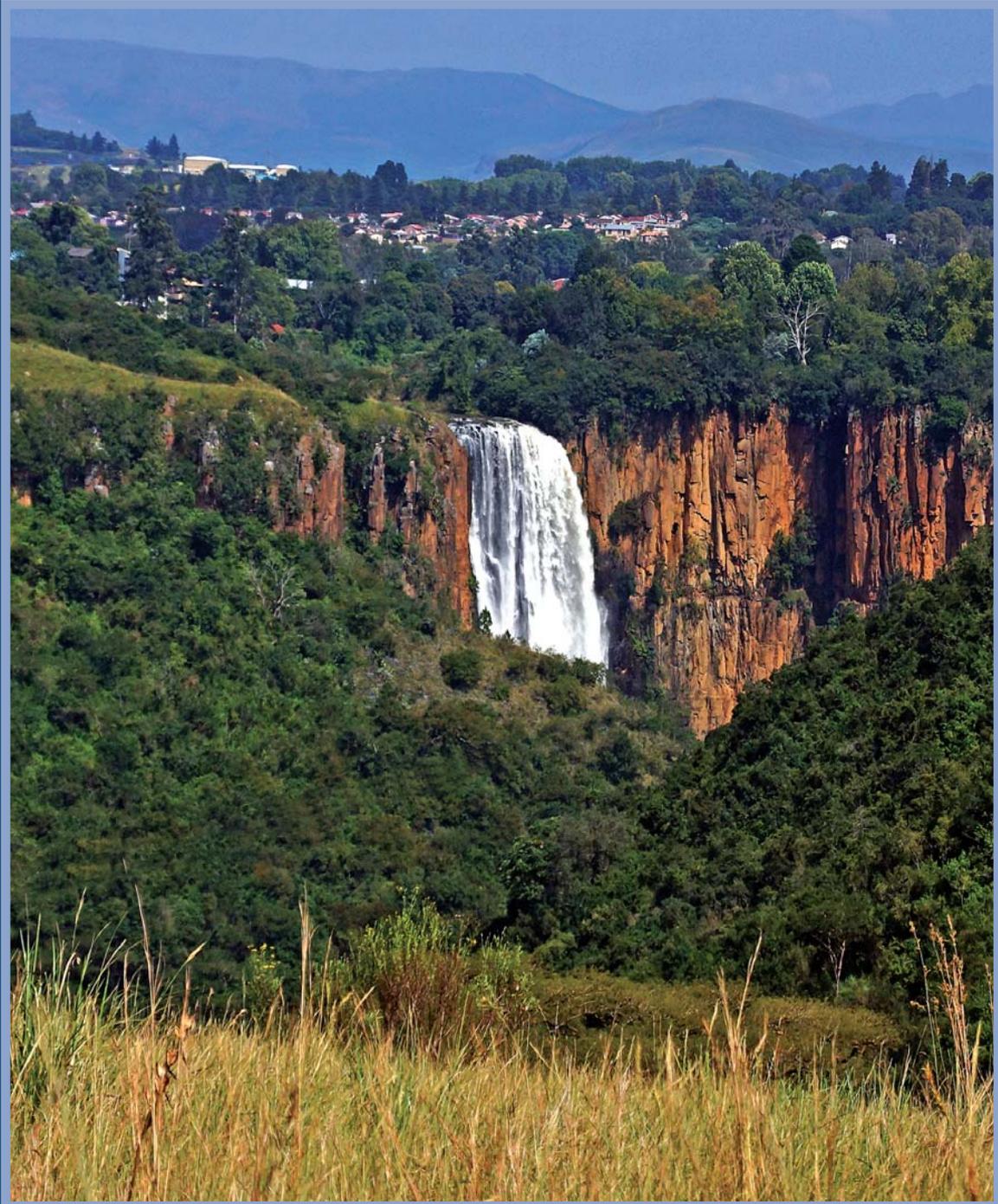
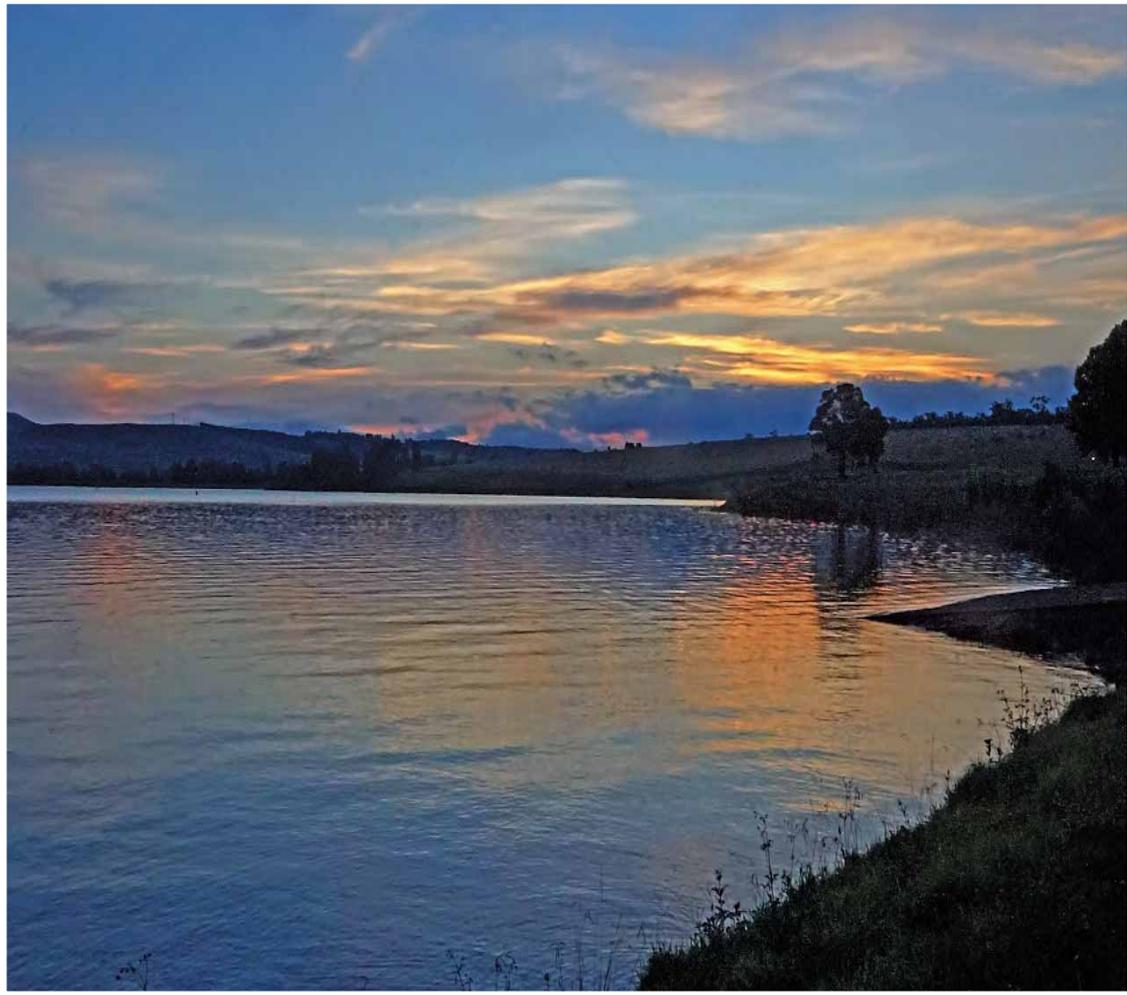




uMngeni Municipality Annual Report 2015/2016



people centred development



UMNGENI MUNICIPALITY (KZ222) ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Annual Report is presented in terms of the Municipal Finance Management Act,
Act No. 56 of 2003. Section 1.7.

Table 6 of this report presents the statutory Annual Report process and timelines to be followed.

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Acronyms

AC:	Audit Committee	KPI:	Key Performance Indicator
AG:	Auditor General	MM:	Municipal Manager
CFO:	Chief Financial Officer	MANCO:	Management Committee
DORA:	Division of Revenue Act	MFMA:	Municipal Finance Management Act
IDP:	Integrated Development Plan	PMS:	Performance Management System
IA:	Internal Audit	SCM:	Supply Chain Management
IFC:	Interim Finance Committee	WSP:	Workplace Skills Plan

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Executive Summary

for the year ended 30 June 2016

Component A: Foreword and Executive Summary by Her Worship the Mayor, Cllr MP Myeni

On behalf of the Council, I am humbled by the honour to pen the foreword for the last Annual Report of the term of office that commenced in 2011 and lapsed in 2016.

When we came into government, we promised that we will deliver services to our people. Indeed we have delivered, amid challenges. In 2012/2013 we adopted the third generation Integrated Development Plan coupled with strategic objectives.

In that plan we committed and achieved the following key deliverables and strategic objectives, amongst others:

- Review and the amalgamation of the existing Town Planning Schemes and the formulation of a Land Use Management System for the entire Municipality. This was achieved and the funding for it came from the Department of Cooperative Governance and Traditional Affairs (Cogta).
- Develop and implement an organisational performance management system.
- Increase electricity supply to Howick. Our own funding and funding from DBSA made this a reality.
- Maintenance and rehabilitation of municipal roads throughout the municipality, taking into account requests raised through the public consultation processes.
- Review and assess all existing LED strategies and projects.
- Implementation of feasibility study into an incentive programme for business and industry.
- Implementation of Mpophomeni Nodal Development Project including support infrastructure. It will be recalled that the recently renamed P390, the rehabilitation of the Mandela Highway complete with pathways and the Mpophomeni Taxi Rank, formed part of the strategic objectives under the auspices of pursuing “special projects that will act as catalysts for development”.
- Agricultural Development Strategy for the Municipality taking into account inputs from community consultation.
- Implementation of an effective debt collection and credit control system.
- Upgrade stormwater network and roads in Mpophomeni.



Councillor MP Myeni
Her Worship the Mayor

These key deliverables were reconfigured at our Strategic Planning Session held in Didima in 2014. In that session it will be recalled that we honed our trajectory as enshrined in our vision and we have entrusted our administration to implement them and as such efforts have been ongoing in this regard.

Fully cognisant of our challenges, the Municipality has acknowledged and prioritized challenges that impede on our service delivery trajectory.

These include:

- The ongoing difficulties in the national and local economy; ageing infrastructure. As such we put aside R12 million for the rehabilitation of our road network infrastructure.

- The yearly increases in the cost of bulk electricity by Eskom continues to be a challenge; continuous high tariff increases are an ongoing burden to the municipality and subsequently residents.
- The albatross for our municipality and many other municipalities is electricity loss through theft. Smart metering is a viable option to curtail this behaviour.
- Affordability of capital projects in relation to maintenance, counter funding and funding of municipal internally funded projects.

However, the aforementioned challenges cannot eclipse the notable achievements by the Councillors and administration in the current term of office.

To further stress the point that we have indeed delivered by outlining, under specific line items, what we have achieved under trying financial circumstances.

Administration (term of office 2011-2016)

- Organisational restructuring of municipal departments resulting in a saving of R6 million.
- Attaining four unqualified Audit Opinions.

Financial recovery over the last five years to where the municipality cashbacks all grant funded projects. This was a significant turnaround in our finances facilitated by the Interim Finance Committee through commitment to frugal procurement and expenditure.

- Council oversight was fully functional. This is underwritten by the functionality of all portfolio committees, Exco, Audit Committee, Internal Audit, most ward committees (10 out of 12) are functional as per verification by the Department of Cooperative Governance and Traditional Affairs and capacity building for Councillors.

Executive Summary (continued)

for the year ended 30 June 2016

- Intergovernmental Relations: MUNIMEC, Technical MUNIMEC, shared services, Mayors' Forum, Municipal Managers' and Disaster Management Forum.
- Monitoring and Evaluation – Back to Basics, Performance Management System (PMS), IDP and SDBIP.

Other programmes implemented (term of offices – 2011-2016)

As the sphere of government closest to the people, it is important to always note that we are to not work in silos. Be that as it may, we are to assist the upper spheres of government in a concerted effort to address the challenges faced by our people.

Working together with sector departments and government entities we were able to:

- Create 716 job opportunities (in 5 years) through the Expanded Public Works Programme.
- Train 120 youth on various skills such as carpentry and welding in partnership with the National Youth Development Agency (NYDA)
- Our War Rooms are fully functional and through Operation Sukuma Sakhe programme Madam Speaker, poor people benefited through interventions led by various sector departments.

The Youth is the future of our country. Therefore efforts must be made to assist them wherever we can. Let us be viewed as neglecting one of the important sectors of our population.

The Municipality paid tertiary registration fees for 39 beneficiaries identified through Operation Sukuma Sakhe (OSS) profiling programme.



Repairs and maintenance (term of office 2011-2016)

Repairs and maintenance are pillars that ensure deterioration of infrastructure in any municipality is prevented. This is no different to our Municipality.

We have spent:

- R1.2 million in Phase I maintaining our community halls
- R398 000 renovating the Howick Library and a further R148 000 has been set aside for completion in the 2015/2016 financial year.
- R380 000 renovating, fencing and maintaining the Hilton Library.
- R500 000 renovating and reconfiguring our Museum.
- R375 000 on maintenance at the Howick West Library.
- R250 000 on the restoration of the fence at the Mpophomeni Library.

Maintenance in progress:

- Community hall Phase II – at a cost of R1.2 million
- Howick West Library – R220 000 for renovations and maintenance. The overall maintenance of municipal buildings is ongoing as well.



- 12 kilometres of grass cutting and maintenance of verges, mainly the main accesses and urban areas are maintained on an ongoing basis.
- And 68 kilometres of roads and storm-waters maintained through pothole repairs and resurfacing carried out annually.

Capital projects implemented (term of office 2011-2016):

We have implemented a number of notable projects in the current term. Some of these capital projects were ground breaking.

These capital projects include:

- Karkloof Electrification where 282 farm dweller connections were completed. This was an innovative and complex project and successfully delivered due to stakeholder cooperation. This model is being replicated by other municipalities.

Introduction and Overview (continued)

for the year ended 30 June 2016

- KwaChief and Nguga Electrification wherein 481 connections in the tribal authority area were completed.
- Electrifications in Nguga and kwaHaza have been completed as well.
- Hiltonian Society Phase II and III – 61 connections provided to the Govan Mbeki housing award recipient for innovation.
- KwaNxamalala/Inadi Housing where 843 houses were successfully completed in the tribal authority area.
- Also designs for Phase III, the R103 underpass have been completed.

In our term of office, 26.5 kilometres of new roads have been constructed with related stormwater.

Human settlements projects:

All of us Councillors can unanimously agree that the implementation of much needed new housing projects in our Municipality has been an uphill battle. Equal to the task we did not sit back, fold our arms or wish upon a star. Relentlessly we continuously engaged with the Department of Human Settlements and provided feedback to our communities and I am proud to again reiterate to the house that implementing agents have been appointed for:

- 22 housing units in Tumbleweed;
- 80 units in St Josephs
- 21 units in KwaMevana
- 547 units for Phase II in Lion's River
- 82 units for Lutchman
- 100 units for Hillside Housing Development

Phase I comprising of 100 units out of 800 units has been approved for Cedara/Khanya Village housing project and the environmental impact assessment issues are nearing resolutions for the 1500 housing units in Khayelisha.

Our struggles coupled with the wait by the beneficiaries were indeed not in vain.



- Mandela Capture Site Phase I was completed in 2012 and the magnificent sculpture was officially unveiled by President Jacob Zuma. Phase II is currently underway at the magnificent Mandela Capture Site. The exhibition centre is scheduled for completion in August 2016.



Executive Summary (continued)

for the year ended 30 June 2016



Financial status (term of office 2011 – 2016)

The vice for any organisation to be fully functional rests on how positive its finances are. When we came into office it will be recalled that our finances were in dire straits. Unyielding oversight on our finances by the Management Committee and the IFC have resulted in the following achievements;



- Our collection rate is over 88% from 75% in 2011
- Salaries make up 28% of the operating budget. Which is within Treasury Regulations
- Capital Expenditure – more than R139 000 million in the last four years
- Bank overdraft facility is no longer utilised
- Liquidity ratio has improved from 1:0:63 to 1:1:94
- All bid committees are fully functional
- Cash flow improving
- Creditors paid within 26 days

- Establishment of Credit Control and Debt Collection and Evaluation Sub-committees have enhanced our revenue collection
- Establishment of the Call Centre has contributed to improved collection rate
- Establishment of IFC has monitored expenditure without hampering service delivery
- Annual financial statements are completed and submitted timeously in compliance to legislation
- Investments amounted to R52 million – inclusive of unspent grants

CONCLUSION

Our journey in this current term has not only been characterised by challenges, but also the acceleration of service delivery.

Having worked together with our communities, we pride ourselves for having changed their conditions and we hope that those who will come after us will continue to do so.

We remained strongly committed to the principles of accountability, transparency, good governance, proper financial management and effective internal control systems right up to the end of our term.

I thank you.

Councillor MP Myeni
Her Worship the Mayor

Executive Summary (continued)

for the year ended 30 June 2016

Component B: Overview by Mrs G Gumbi-Masilela Municipal Manager (Acting)

Significant strides were achieved in the year under review. It gives me pleasure to highlight just a few on this platform.

The Intergovernmental Relations between uMngeni Municipality and sector departments in both the national and provincial spheres of government, namely the Department of Higher Education and their subsidiary, Services Seta and the KwaZulu-Natal Department of Public Works heralded an establishment of higher learning within uMngeni, the first of its kind.

The launch of the Technical and Vocational Education and Training (TVET) formally known as the FET College, will go a long way in improving the skills level of the people of uMngeni, especially the youth both in school and out of school.

This TVET like other international technical and vocational education centres is envisaged to become an international educational initiative aimed at improving the lives of the people of uMngeni. That will set them on a path to change their lives.

This centre will equip the communities within the jurisdiction of



Mrs G Gumbi-Masilela
Acting Municipal Manager

uMngeni with the necessary education tools to improve their skills as TVETs offer vocational or occupational courses which means that the students will receive education and training with a view towards a specific range of jobs or employment possibilities.

Under certain conditions, some students may qualify for admission to a University of Technology to continue their studies at a higher level in the same field of study as they were studying at the TVET College.

This will translate to improved economy within the municipality as more and more community members will be better skilled.

This centre can and will create entrepreneurs and SMMEs that will contribute to job creation thus effectively reducing unemployment. The Municipality will benefit from this through increased revenue for its rates base. This centre will be a win-win type of an establishment.

What the new Council must begin to do is to establish a strengthened internship programme in a private public partnership with local businesses for the students to be afforded opportunities to receive on-the-job training and experience. The Municipality must take the lead on this and provide on-the-job training for scarce skills such as artisans, draughtsman and draughtswoman and technical skills in the fields of civil and electrical engineering.

uMngeni Municipality has the potential to enforce this.

The Department of Education and Public Works must be commended and applauded for their roles and meaning contributions in making this centre a reality. This is a project that will benefit generations to come.

Another gem for uMngeni is the Nelson Mandela Capture Site.

This place is unequivocally significant, as it is here that the historical and political discourse of our country was altered with the arrest of the now world renowned former President Nelson Mandela on August 5, 1962.

The Capture Site is a monumental symbol to Honour Tata Mandela's legacy and what he stood for. It is a stark reminder to all of us of the struggle for a democratic, free and non-racial South Africa.

Its existence is pivotal in that it will ensure future generations never forget its incredible history and will persistently provide a substratum to all nations with the record of history of what was achieved by Tata Mandela through exhibitions at this site.

The sculpture and the developments currently underway at this site have been made possible by a partnership between the Department of Co-operative Government and Traditional Affairs (COGTA), uMngeni Municipality, the Apartheid Museum and the KwaZulu Natal Heritage Council (AMAFA) in association with the Nelson Mandela Centre of Memory.



Executive Summary (continued)

for the year ended 30 June 2016

The uMngeni municipality is currently project managing phase two developments which include the establishment of a museum, multipurpose theatre and amphitheatre, and supporting tourism educational and cultural facilities including an arts and craft node to be situated on this site.

This development has created job opportunities and will continue to do so for the local community and has without a doubt become a major tourist attraction at within the rich tourism tapestry of the Midlands Meander.

This project is one of our pride and joy as uMngeni. Although we are on Phase II there are three more Phases to go before the final product is completed.

Tourism has become an important sector that has an impact on the development of our country's economy. The main benefits of tourism are income creation and generation of jobs.

The Tourism Act makes provision for the promotion of tourism to and in the Republic and for regulation and rationalisation of the tourism sector, including measures aimed at the enhancement and maintenance of the standards of facilities and services utilised by tourists; and the co-ordination and rationalisation of the activities of those who are active in the tourism sector

Our adherence to this Act is both enjoined by legislation and the desire to continue burning the fires of Tata Mandela's legacy.

Our municipality's natural environment and cultural diversity are among its greatest resources.

Other pivotal tourism resources that we are boastful of as uMngeni Municipality include:-

Zulu Mpophomeni Tourism Experience (ZMTE).

Zulu Mpophomeni Tourism Experience (ZMTE) is a community-based tourism organisation. It was started formally in 2000 in the interests of the Mpophomeni Township situated 14 kilometres from town of Howick. ZMTE is an award-winning, non-profit organisation drawing its member from broad segments of the Mpophomeni Township and surrounding areas, catering to an ever-growing number of local and international tourists.

It offers visitors the perfect opportunity to experience authentic Zulu culture and explore unbundled township life. Their aim is to provide top class township and Zulu cultural experiences from value-based partnerships with all of their stakeholders. Their stakeholders include a variety of female-owned and managed crafts co-operatives, privately-owned B&B operators. Their partners also included the youth, traditional leadership structures, story tellers, traditional healers and artists.

The Zulu Mpophomeni Tourism Experience is the ideal way to experience indigenous South African Culture.

We encourage and motivate talented artists and crafters through a capacity building programme to improve their skills and inspire them to be creative in producing unique craftwork that tells stories about their areas. This in turn becomes a means for artist to generate income

The ZMTE tours also inculcate the rural areas and end with sightseeing overlooking the Midmar Dam from the spectacular hills of Mountain View overlooking Midmar Dam. This establishment was also officially launched in the year under review.

With Midlands Meander as a tapestry for tourism boost not only within uMngeni but the uMgungundlovu District as a whole, an all-hands-on-deck approach is pivotal in advancing this.

Lastly, there is the Agri-Park which uMngeni Municipality has been rightfully earmarked as its host.

Farming remains the defining nature of uMngeni's pastoral and pristine ambience, as evinced by the long established presence here of a highly esteemed seat of agricultural learning. And perched some 1000- metres above sea-level humidity.

uMngeni's 'Waterfall Country' is filled with opportunities to engage in activities synonymous with genteel, bucolic living - fishing expeditions par none on our bountiful waters, bird-watching and game-viewing amid a nature lover's dream, the equestrian pursuits and modern addition to the world of keep-fit regimes - mountain biking.

I thank you

Mrs G Gumbi-Masilela
Acting Municipal Manager



Executive Summary (continued)

for the year ended 30 June 2016

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 BACKGROUND DATA

VISION

“By 2030, uMngeni Municipality will be a people focused, efficient and cost effective municipality able to provide quality services and sustainable socio-economic development”

MISSION

uMngeni Municipality will ensure community participation in all projects; improve the skills of the municipal staff; ensure sound financial governance; address infrastructure needs and sustainable service and enhance economic development.

LOCALITY

uMngeni Local Municipality is one of the seven local municipalities within uMgungundlovu District Municipality (UMDM) in KwaZulu-Natal. uMngeni Municipality comprises Howick, Hilton, the World's View area, the small towns and settlements of Nottingham Road, Lidgetton West, and Lion's River, Balgowan, Fort Nottingham, Dargle, Curry's Post, Mpophomeni and a substantial amount of farmland. The Municipal area

covers 1 564 square kilometers. The Municipality's Head Office is located in Howick, along the N3 (Durban to Johannesburg) within the eThekweni – Msunduzi – uMngeni Economic Development Corridor. There are three official languages that are mainly spoken in the area, being: English; Zulu; and Afrikaans.

DEMOGRAPHICS

Population¹

In June 2016, Statistics South Africa released the statistical report for the 2016 Community Survey. The following statistical report is based on that Community Survey, 2016 report.



1.2.2 SOCIO-ECONOMIC ANALYSIS

Persons indicators:

2016										
District and local municipality	2015 grants and subsidies received	Total population			Youth (15 - 34 years)			Youth proportion	Sex ratio	Persons aged 20 years+ who have completed grade 12
		Male	Female	Total	Male	Female	Total			
uMgungundlovu DM	80	536 176	575 696	1 111 872	202 308	209 466	411 774	37,0	93,1	310 152
uMngeni LM	28.5	50 844	54 766	105 609	18 972	19 170	38 141	36,1	92,8	34 146

uMngeni Municipality has a total population of **105 609**, a **12% increase** compared to the 2011 Community Survey statistics.

Households indicators: Number of households

District and local municipality	Population and households				Main dwelling							
	2011		2016		2011				2016			
	Total households	Household size	Total households	Household size	Formal	Traditional	Informal	Other	Formal	Traditional	Informal	Other
uMgungundlovu DM	272 666	3,7	300 953	3,7	192 401	58 189	18 386	3 690	230 604	46 215	22 508	1 569
uMngeni LM	30 490	3,0	37 352	2,8	26 040	1 347	2 723	380	32 365	1 527	2 985	426

¹ Population data obtained from Statistics SA 2013

Executive Summary (continued)

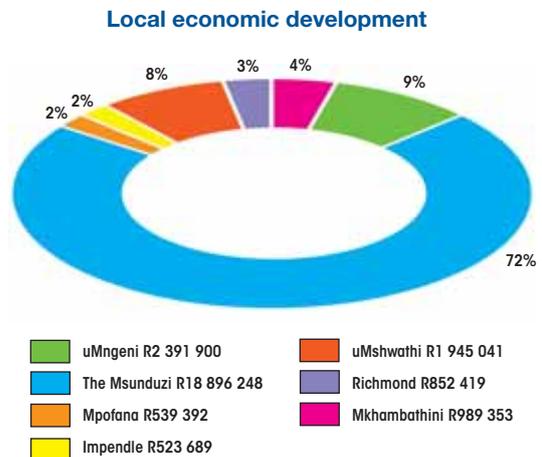
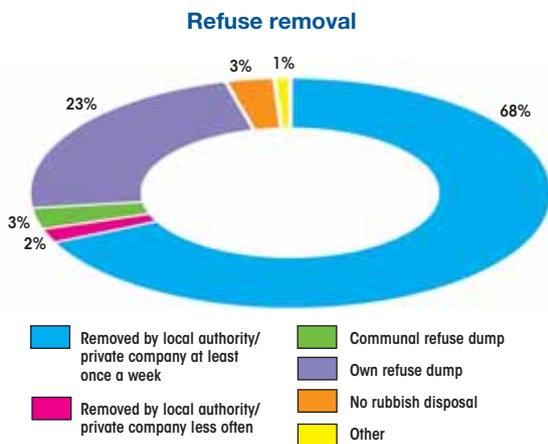
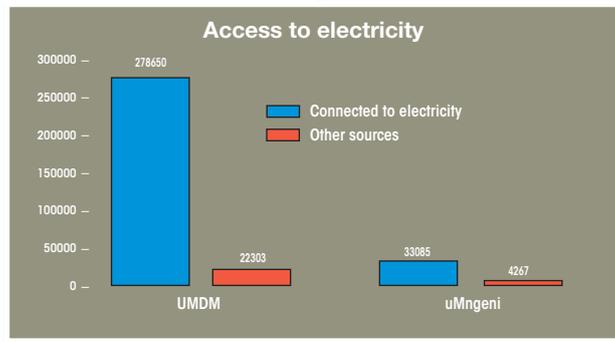
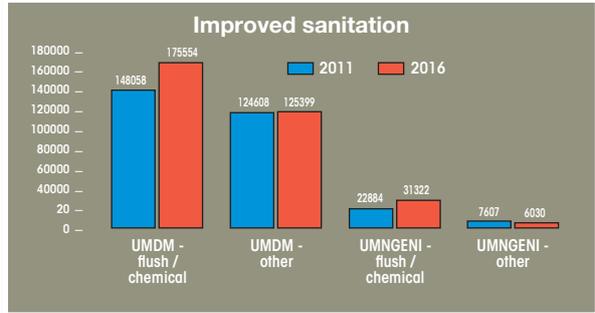
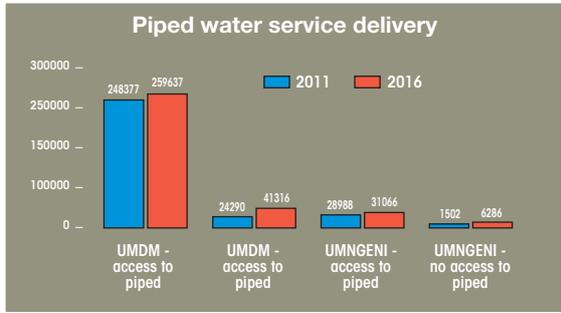
for the year ended 30 June 2016

The Community Survey, 2016, indicates that uMngeni Municipality has a total of 37 352 households. This is a 19 % increase compared to the 2011 Community Survey statistics.

Households indicators: Poverty

District and local municipality	Poverty			
	2011		2016	
	Poverty headcount	Intensity of poverty	Poverty headcount	Intensity of poverty
uMgungundlovu DM	7,7%	41,7%	5,9%	42,1%
Umngeni LM	5,7%	43,4%	5,2%	44,0%

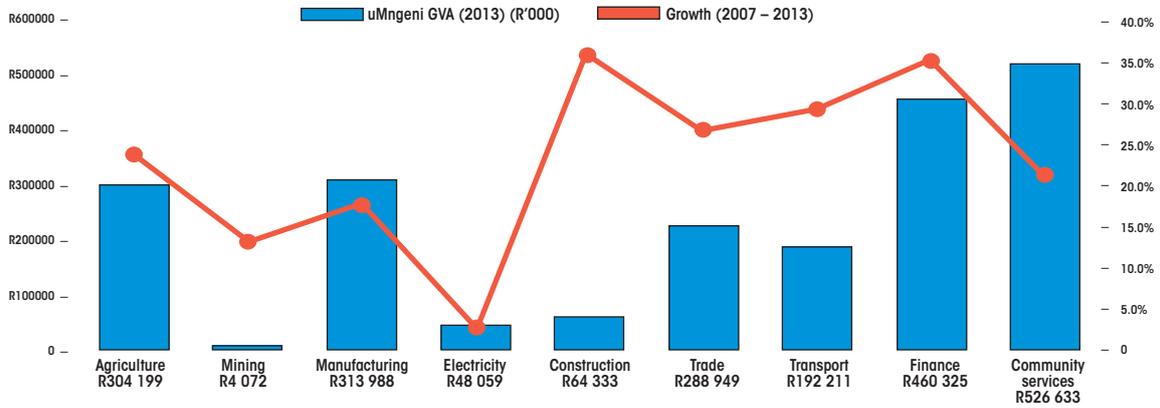
Households indicators: Service delivery



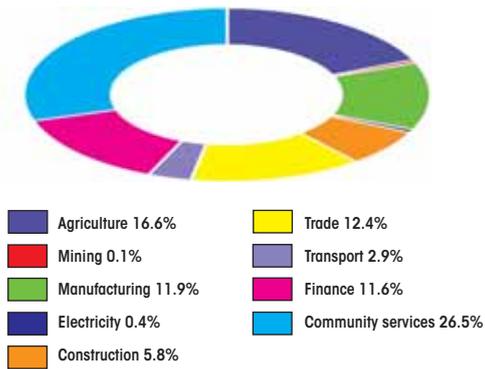
Introduction and Overview (continued)

for the year ended 30 June 2016

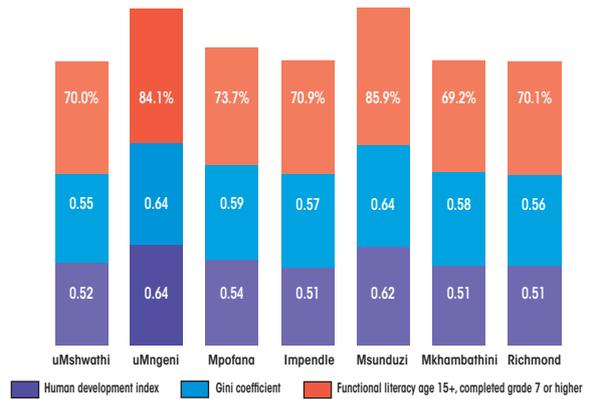
Gross value added (R'000)



Employment by sector

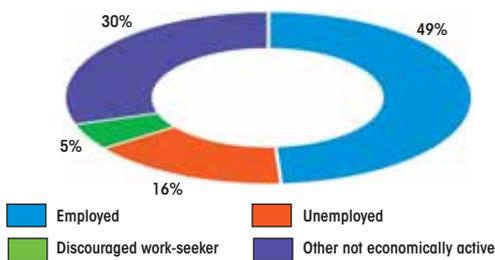


Development indicators

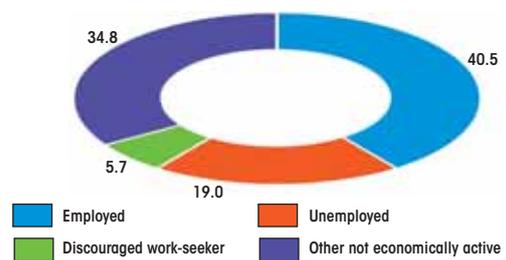


Employment status with uMngeni Municipality

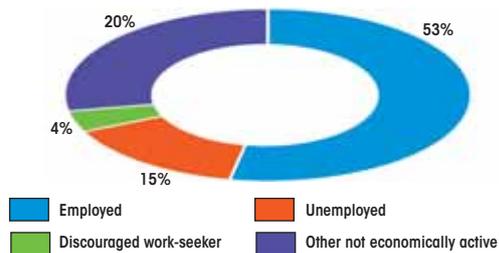
uMngeni employment status



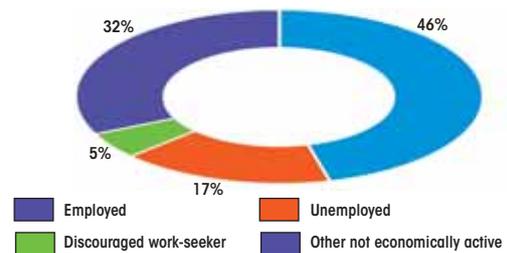
Official youth employment status (2011)



Males



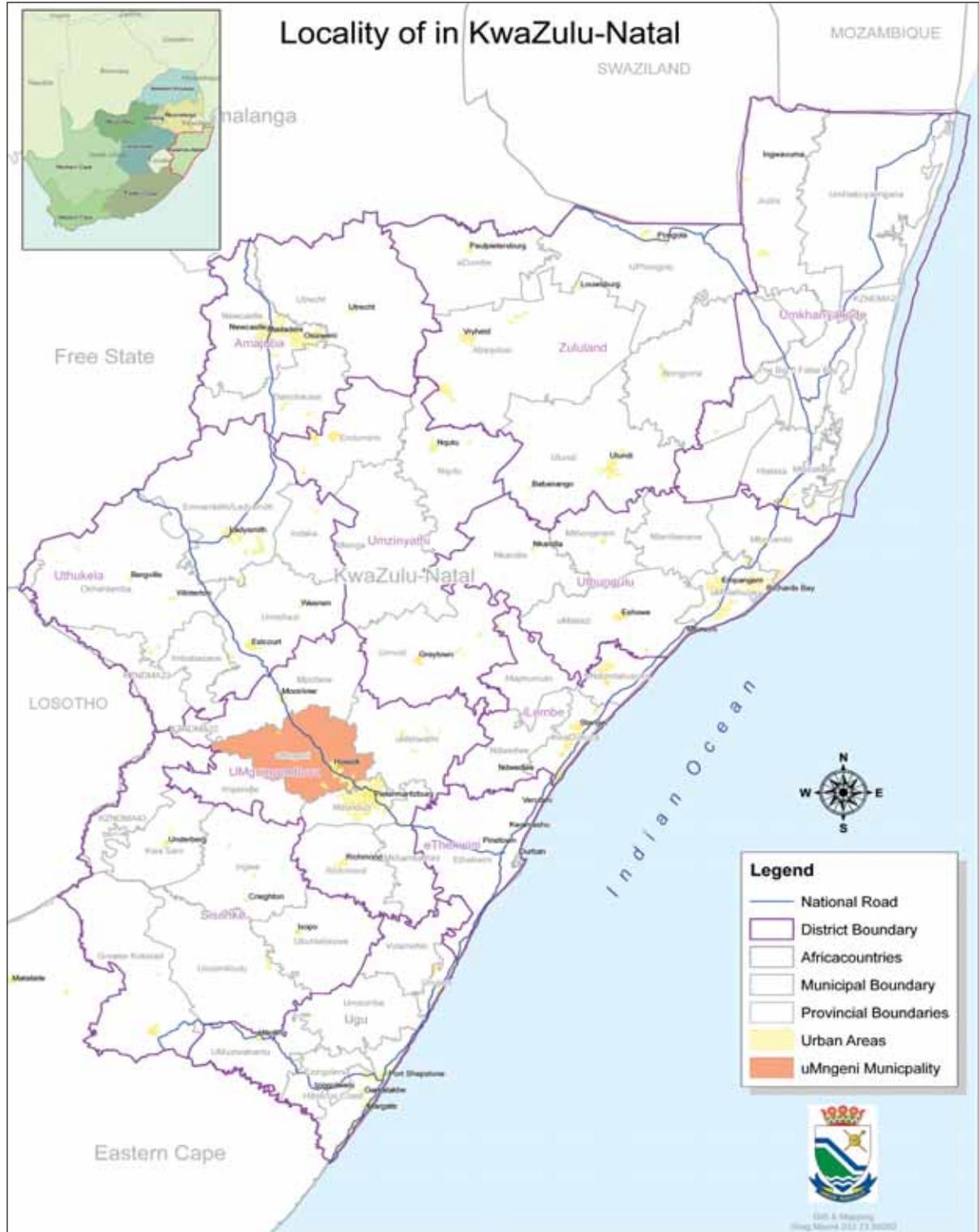
Females



Executive Summary (continued)

for the year ended 30 June 2016

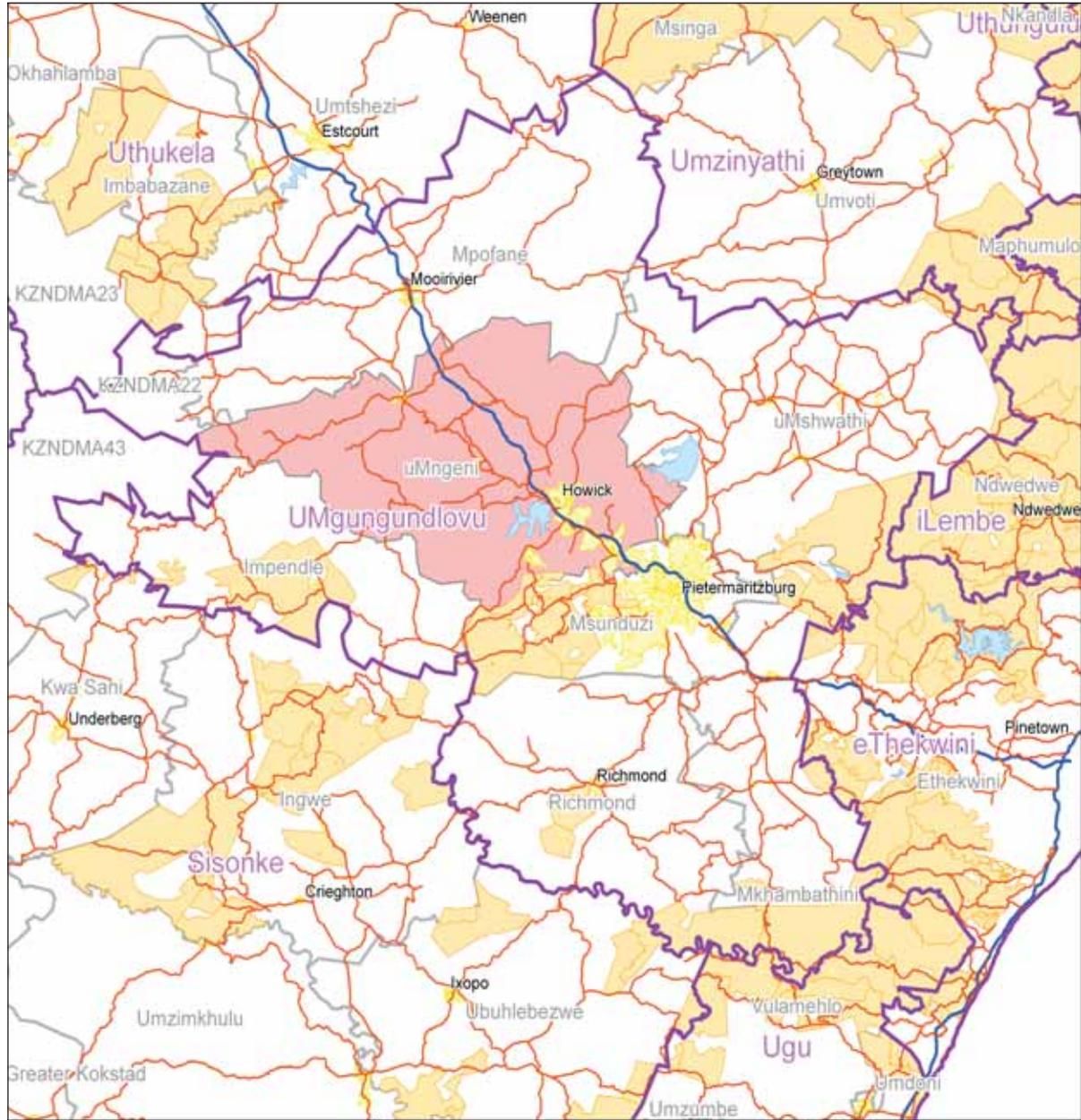
Map 1 – Locality Map of uMngeni Municipality (Kwa-Zulu Natal)



Executive Summary (continued)

for the year ended 30 June 2016

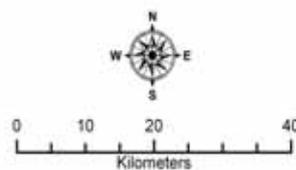
Map 2 – Locality Map of District Municipality DC 22



Locality in uMgungundlovu District Municipality

Legend

- National Road
- Main Road
- District Boundary
- Tribal Authority
- Urban Areas
- uMgeni Municipality
- Municipal Boundary

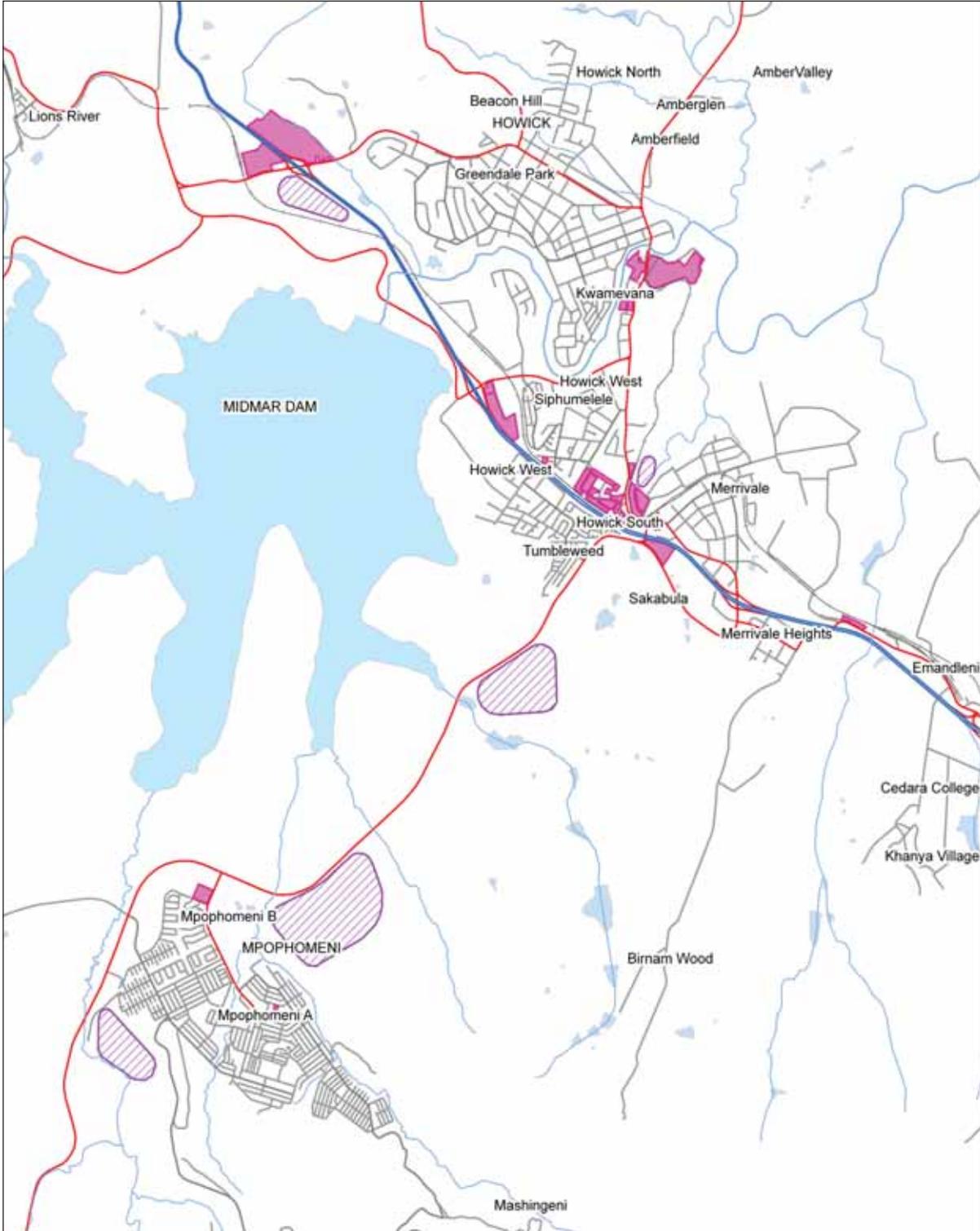


GIS & Mapping
Greg Moore 033 23 98200

Mayor's Foreword and Executive Summary (continued)

for the year ended 30 June 2016

Map 3 – Industrial Development Areas Map

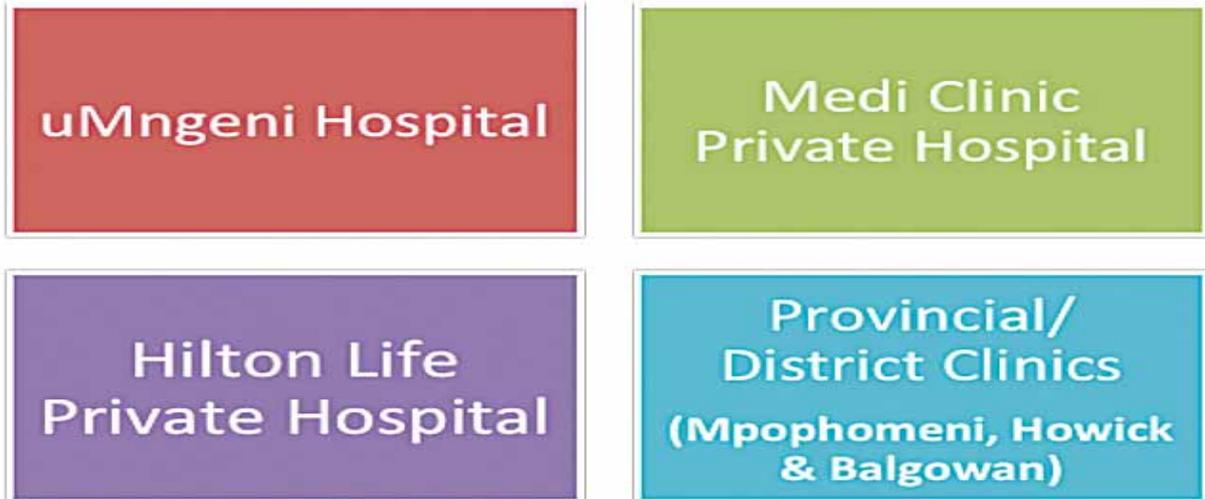


Executive Summary (continued)

for the year ended 30 June 2016

1.2.3 HEALTH FACILITIES

Health Services within uMngeni Municipality are mainly provided by the Department of Health through provision of clinics and mobile clinics. The following Health facilities are found in the area. The list includes private institutions, currently operating within uMngeni Municipality:



1.3 SERVICE DELIVERY OVERVIEW

A number of IDP service delivery projects were planned for 2015/2016 and progress is reported in chapter 3 of this report.

The Municipality continues to provide electricity (prepaid and conventional meters) through the use of a service provider (in some areas) while some are serviced by Eskom and Msunduzi Municipality (Hilton and Winterskloof).

Waste management is done on an ongoing basis through weekly refuse collection by the municipality, recycling (in partnership with Wildlands), as well as the EPWP programme funded by the Department of COGTA.

Provision of water and sanitation, as well as the environmental health services remains the responsibility of uMgungundlovu District Municipality (UMDM).

It is therefore imperative that, intergovernmental relations with these municipalities and entities are strengthened in order to ensure that a holistic and clear service delivery approach is put in place to avoid confusion and service delivery interruption and even protests.

1.4 FINANCIAL HEALTH OVERVIEW

Financial overview

The Interim Finance Committee, call centre, debt collection (through attorneys), disconnections for non-payment, relief for indigent residents, credit control subcommittee are cash flow management and revenue enhancement measures put in place by Council to leverage the municipality's financial status.

The financial ratios reflect a very positive picture that the municipality will eventually reach financial stability.

Liquidity ratios:

+Liquidity ratios: 2015/2016

- a. Acid test ratio = Current assets less inventories/ Current liability
= 105 458 781 – 0 /42 921 924
=1:2.46
- b. Current ratio = Current assets/ Current liabilities
= 105 458 781/42 921 924
= 1:2.46

Executive Summary (continued)

for the year ended 30 June 2016

Table three below presents the financial overview of the municipality.

Table 3: Financial overview

Financial overview: 2015/2016			
	Original budget	Adjustment budget	Actual
Income:	345 456 887	344 966 566	317 882 318
Grants	78 675 000	78 891 000	71 131 777
Taxes, levies and tariffs	255 424 796	254 311 374	238 712 809
Other	11 357 091	11 764 192	8 037 732
Less: Expenditure (excluding capital grants)	317 182 511	322 449 549	340 404 122
Net	28 274 376	22 517 017	(22 521 804)

Table 4: Operating ratios

Operating ratios	
Detail	%
Employee cost	27.81
Repairs and maintenance	6.42
Finance charges and impairment	8.65

The employee cost is at 27.81% ratio to total operating cost and this is a positive reflection as the municipality is further moving towards an even lower ratio in the next financial year. Repairs and maintenance at 6.42% compared to the 4.15% of last financial year this proves an increase as it was expected. By the end of the financial year Finance charges and impairments were standing at 8.65%.

Table 5: Total capital expenditure

Total capital expenditure			
Detail	2013/2014	2014/2015	2015/2016
Original budget	32 262 000	23 015 000	27 249 000
Adjustment budget	43 386 000	67 992 000	44 408 681
Actual	38 341 722	55 884 000	19 009 699

In the year under review, uMngeni Municipality relied on the Municipal Infrastructure Grant for all the CAPEX projects. (The above capital budget was funded through Municipal Infrastructure Grant, Mandela Capture Site Grant and Internally generated reserves.)



Executive Summary (continued)

for the year ended 30 June 2016

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

In the first two months of the 2015/2016 financial year, Mr. SG Simpson, General Manager: Economic Development and Planning acted in the Municipal Manager's position. In September 2016 Ms. CG Gumbi-Masilela stepped in and took over the reins from Mr. SG Simpson leading the administration of the municipality into what seems like a better position in terms of compliance.

All section 54/56 managers were taken through the process of minimum competencies assessments as per the performance management regulations prior to being appointed in the current positions. Furthermore, they all signed performance agreements compliant with the minimum competency requirements. Performance plans and personal development plans were also developed and signed by all senior managers.

The year under review was a rather hectic one as the current Council was preparing to step out of office as their term was coming to an end. This further affected the functionality of the evaluation panels for the performance assessments appointed by Council in financial year 2013/2014. It is to be noted that these panels constitute even members in leadership positions within other municipalities hence it was difficult to reach consensus on suitable dates for annual assessments of the senior managers. However, the formal assessments were conducted internally for the Managers reporting to the Municipal Managers by the Acting Municipal Manager.

Organisational development processes included training of councillors through the workplace skills plan, to ensure that the leaders of the municipality are well capacitated to play their oversight role. For the rest of the municipal staff an opportunity was afforded for them to submit study assistance applications, these were all approved and a considerable amount was contributed towards the employee's study fees to various institutions including UNISA, DUT, FET College, etc. Each employee was given a maximum of R7000.00 towards the study fees.

1.6 AUDITOR-GENERAL'S REPORT

uMngeni Municipality obtained an unqualified audit opinion. The municipality is in the process of developing an action plan to ensure that the findings raised by the Auditor General are attended to. Once the plan is developed the Management Committee (MANCO) will be responsible for its monitoring. Details of the report are in Chapter 5 of this document.



Executive Summary (continued)

for the year ended 30 June 2016

1.7 STATUTORY ANNUAL REPORT PROCESS

Section 127 (2) of the Municipal Finance Management Act, Act No. 56 of 2003, states that the Mayor of the Municipality must within seven months after the end of financial year table in the Municipal Council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

The process that will be followed in drafting, tabling and adopting the 2015/2016 annual report will be as follows:

Table 6: Statutory annual report process

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July 2016
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 2015/2016 Annual Report to Internal Audit and Auditor-General	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August 2016
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October 2016
12	Municipalities receive and start to address the Auditor General's comments	December 2016
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	25 January 2017
14	Audited Annual Report is made public and representation is invited	01 February 2017
15	Oversight Committee assesses Annual Report	22 March 2017
16	Council adopts Oversight report	29 March 2017
17	Oversight report is made public	04 April 2017
18	Oversight report and final adopted annual report are submitted to relevant provincial councils	07 April 2017
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	May 2017

Meetings for the assessment of the annual report by the oversight committee will be advertised in the print media and are open to public. The final Annual report will be published together with oversight report as adopted by Council.

Chapter 2

Governance Structure

for the year ended 30 June 2016

INTRODUCTION

uMngeni Municipality's governance structure is made up of political and administrative governance, inter-governmental relations, and public accountability and participation along with corporate governance.

The section on Political governance presents the breakdown of elected Councillors, the committees they are part of, and the number of meetings they attend. The administrative aspect of the municipality is reported in terms of the Organisational structure being implemented and a distinction made of the business units and their respective functions. The intergovernmental relations section focuses on the relations forged by the Municipality with other sector departments for the purposes of developing into a progressive municipality and successfully carrying out its day to day activities. Among these are the National & Provincial Treasury, the Auditor General & the provincial Department of COGTA.

The section on Public Accountability looks at the strategies used by the municipality to ensure service delivery and community involvement in the affairs of the municipality. Among the mentioned strategies are community meetings, izimbizo and ward committee processes within all 12 wards of the municipality.

Corporate governance looks at issues of transparency and accountability whereby the municipality outlines its top risks, and also the way in which they run the supply chain management unit. Together these important aspects intertwine and are forged so as to ensure all aspects of the municipality are properly functioning and that communities receive quality services at an affordable price.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The political structure of the Municipality is made up of the elected Councillors led by her Worship the Mayor, Cllr MP Myeni; and the administrative structure has the General Managers or Heads of Departments (HODs) led by the Municipal Manager (Currently Acting Municipal Manager), Mrs CG Gumbi-Masilela. Both these structures work together towards delivering basic services to the communities serviced by uMngeni Municipality.

Note: 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.

2.1 POLITICAL GOVERNANCE

The year 2015/2016 marks the final year of the 5 years term of the current Council. New Councillors will be sworn in after the local government elections scheduled to take place in August 2016.

uMngeni Municipality has functional Council, Executive Committee that meet monthly. The Council portfolio committees meet bi-monthly. The Municipal Public Accounts Committee and the Audit Committee continue to play the imperative oversight and advisory role to Council, to ensure that the municipal functions are on track.

Table 7: Political parties: Seats and gender

Party	Total seats	Wards seats	PR seats	Gender
African National Congress	14	8	6	F =7 M = 7
Democratic Alliance	9	4	5	F=6 M = 3

Governance Structure (continued)

for the year ended 30 June 2016

POLITICAL STRUCTURE



Clr MP Myeni
Mayor



Clr SR Majozi
Deputy Mayor



Clr TP Mchunu
Speaker



Clr P Passmoor
EXCO Member

COUNCILLORS

The councillors are elected by the local registered voters to serve a predetermined term of office on the local council as representatives of their respective constituents. uMngeni Municipal Council has a total of 23 seats. Twelve (12) of these seats are allocated to ward councillors who are elected by the wards they represent. The other 11 seats are allocated to political parties in proportion to the number of votes cast for them.



Clr STJ Ndlovu



Clr T Cele



Clr Z Dlamini



Clr T Duggan



Clr M Greuneberg



Clr J Holmes



Clr J Lewis



Clr C Millar



Clr J Mkhasibe



Clr G Mthembu



Clr H Ndlela



Clr N Mlotshwa



Clr M Ndlovu



Clr SD Nkuna



Clr T Nxele



Clr LP Phikwane



Clr S Pillay



Clr B Zuma



Clr J Zondi

Governance Structure (continued)

for the year ended 30 June 2016

COMMITTEE ALLOCATIONS July 2015 - June 2016

The portfolio committees are made up of Councillors from both political parties

Table 8: Committees and Subcommittees

COMMITTEE/ SUB-COMMITTEE ALLOCATIONS	COUNCILLORS
EXECUTIVE COMMITTEE	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr SR Majozi
	Cllr PA Passmoor
PUBLIC ACCOUNTS COMMITTEE	Cllr STJ Ndlovu (<i>Chairperson</i>)
	Cllr GT Dlamini
	Cllr HP Ndlela
	Cllr TA Duggan
	Cllr MJ Grueneberg
TECHNICAL CLUSTER	Cllr MP Myeni (<i>Mayor - Chairperson</i>)
	Cllr GT Dlamini
	Cllr JA Mkhlasibe
	Cllr FG Mthembu
	Cllr BA Zuma
	Cllr J Lewis
	Cllr PA Passmoor
	Cllr LP Phikwane
SOCIAL AND ECONOMIC CLUSTER	Cllr SR Majozi (<i>Deputy Mayor - Chairperson</i>)
	Cllr SD Nkuna
	Cllr HP Ndlela
	Cllr JM Zondi
	Cllr TG Nxele
	Cllr CRW Millar
	Cllr TA Duggan
	Cllr FT Cele

Governance Structure (continued)

for the year ended 30 June 2016

COMMITTEE/ SUB-COMMITTEE ALLOCATIONS	COUNCILLORS
MANAGEMENT CLUSTER	ClIr MP Myeni (<i>Mayor - Chairperson</i>)
	ClIr STJ Ndlovu
	ClIr SK Pillay
	ClIr M Ndlovu
	ClIr N Mlotshwa
	ClIr MJ Grueneberg
	ClIr JE Holmes
INTERIM FINANCE (BUDGET SUB-COMMITTEE)	ClIr MP Myeni (<i>Mayor - Chairperson</i>)
	ClIr SR Majozi, Deputy Mayor
	ClIr PA Passmoor
LOCAL LABOUR FORUM	ClIr SK Pillay (<i>Chairperson</i>)
	ClIr Dlamini
	ClIr STJ Ndlovu
	ClIr JE Holmes
CREDIT CONTROL	ClIr PA Passmoor (<i>Chairperson</i>)
	ClIr SR Majozi (<i>Deputy Mayor</i>)
	ClIr Mkhasibe
INFORMAL TRADERS	ClIr GT Nxele (<i>Chairperson</i>)
	ClIr SD Nkuna
	ClIr LP Phikwane
	ClIr M Ndlovu
VALUATION	ClIr SK Pillay (<i>Chairperson</i>)
	ClIr FG Mthembu
	ClIr CRW Millar
AUDIT COMMITTEE	Mr. S Sethene
	Mr. C Ngubane
	Mrs. N Gevers
	Mr. L Kubheka
	Mr. B Dladla

Governance Structure (continued)

for the year ended 30 June 2016

Table 9: Number committees and sub-committees' meetings in 2015/2016

Type of Council Committee Meetings: Number	Number of Meetings
Council	15
Executive Committee	9
Municipal Public Accounts Committee	5
Technical Cluster	5
Social And Economic Cluster	5
Management Cluster	5
Interim Finance Committee	16
Local Labour Forum	4
Credit Control	9
Informal Traders	2
Valuation Sub-Committee	10
Audit Committee	4

2.2 ADMINISTRATIVE GOVERNANCE

The various departments that make up the administration wing of the Municipality are;

Departments	Units
Office of the Municipal Manager (OMM)	Internal Audit Performance Management Research and Communication
Corporate Services	Human Resources Labour Relations Administration
Finance Services	Expenditure Management Revenue Management Budget and Assets Management Supply Chain Management
Economic Development and Planning	Planning and Development Integrated Development Planning Local Economic Development
Community Services	Traffic and Law Enforcement Protection Services Community Services
Technical Services	Vehicle, Plant and Equipment Management Roads and Stormwater Management Parks and Garden Waste Management

The above mentioned departments are headed by General Managers (HODs), reporting directly to the Municipal Manager. Each unit is headed by a section manager.

Governance Structure (continued)

for the year ended 30 June 2016

For strategic development purposes, there is a Management Committee (MANCO) structure, where all the General Managers together with the Municipal Manager, deliberate weekly on administrative issues of the municipality and over and above that structure, is the monthly, Extended Management Committee (ExMANCO) which is a structure made up of MANCO and line managers of the municipality. This structure further ensures that all the strategic issues linked to the operations of the municipality are reported and addressed accordingly.

2.2.1 TOP ADMINISTRATIVE STRUCTURE



Ms CG Gumbi Masilela
Acting General Manager
(From September 2015
to October 2016)



Mr S Gwala
Chief Financial Officer
(From January 2015)
General Manager:
Community Services
(From December 2014)



Mr HS Buthelezi
General Manager:
Corporate Services



Mr E Svensson
General Manager:
Technical Services



Mr SG Simpson
General Manager:
Economic Development
and Planning (and Acting
Municipal Manager as at
June 2015 to August 2015)

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS



'Inter-governmental relations' mainly refers to the relationships between the three spheres of government (National, Provincial and Local government). According to the South African Constitution, 'the three spheres of government are distinctive, interdependent and inter-related'. The Provincial and Local governments are spheres of government in their own right, and are not a function or administrative implementing arm of National or Provincial (in the case of Local) government. However, although the three spheres of government are autonomous, they exist in a unitary South Africa and they have to work together on decision-making and must co-ordinate budgets, policies and activities, particularly for those functions that cut across the spheres.

2.3.1 PROVINCIAL INTERGOVERNMENTAL RELATIONS

In the year under review, uMngeni Municipality engaged with and received support from a number of provincial government departments and non-governmental organisations. The Provincial Department of Cooperative Governance and Traditional Affairs (COGTA) worked closely with the performance management unit (PMS) to support the implementation of Organisational Performance Management and the IDP through the District Technical Advisory Committee (DTAC) as well as the Back to Basics engagements which included the National Department of COGTA (DCOG). The Mayor and the Acting Municipal Manager fully participated in the MuniMEC² meetings.

The Provincial Treasury continued to support the Municipality's Interim Finance Committee (IFC), the finance department and the internal audit unit.



Governance Structure (continued)

for the year ended 30 June 2016

2.3.2 DISTRICT INTERGOVERNMENTAL RELATIONS



Through her worship the Mayor, and the Acting Municipal Manager, and various Managers within the Municipality, the municipality participated in a number of forums and meetings as part of service delivery enhancement. These were as follows:

- The District Technical Forum.
- Planning and Development Cluster
- Financial Cluster
- Corporate Governance Cluster
- Corporate and Social Services Cluster
- Technical and Infrastructure Cluster
- GITOC
- Communication cluster
- Special Programmes
- Municipal Managers' Forum
- Mayors' Forum

uMngeni Municipality continues to lead the District Planning Shared Services (DPSS), which include the planning and GIS services.

Furthermore, the municipality is the 'Home of the Mandela Marathon' and thus continues to actively participate in the planning and implementation of the annual Mandela Marathon as well as collaborations in the Mandela Capture Site, Exhibition Centre.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

During the 2015/2016 financial year, the municipality had 12 functional ward committees which serve as a conduit between the municipality and the community.

In compliance with various local government legislation, the municipality publicised all public documents (on local newspapers as well as the Municipality's Website) for public consumption and engagement thereof.

The draft and final Integrated Development Plan (IDP) for 2015/2016, the Budget for 2015/2016 and the Service Delivery and Budget Implementation Plan (SDBIP) were presented at IDP/Budget Izimbizo in April 2015 and were later made public through the local newspapers and also published on the municipal website by 30 June 2015. This is one of the most important mechanisms of public participation that the uMngeni Municipality embarks on annually.

Prior to conclusion of and adoption of the Annual Report, the members of the public are also invited to participate in the Oversight process, wherein they give inputs for amendments and are able to question the presented data, if and when there is need for clarity.

As part of promoting public accountability and participation, members of the public are invited to attend all meetings of the Council and its committees.

Section 3.1 below provides an outline of the various public participation mechanisms employed by the municipality to encourage public participation.



²The Muni-MEC is an intergovernmental body that meets quarterly to analyse the state of local government and is made up of the MEC and the Municipal Mayors and Municipal Managers in the province (<http://allafrica.com/stories/201506151452.html>, November 2016)

Governance Structure (continued)

for the year ended 30 June 2016

2.4.1 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS



IDP, PMS and budget process plan are approved by Council before end of June (of the ending financial year) annually. Once approved a public notice is posted on the website and various newspapers. The process plan reflects the different activities and milestones in terms of the IDP review, PMS and budget implementation and monitoring.

uMngeni Municipality has a well-structured public participation programme which is reflected in the IDP Process Plan. Over and above the planned public meetings, Councillors are encouraged to hold adhoc public meetings as need arises.

Below are the citizen mobilisation and participation

strategies used by the municipality to ensure that the voices of the citizen and stakeholders are accommodated in the planning, execution and review of the IDP, Budget and PMS processes are as follows:

The Municipality's citizen mobilisation and participation strategies

- Ward Committee Monthly Meetings
- Executive committee – Open to Public
- Stakeholders Quarterly Meeting
- Full Council Meeting – Open to Public (Reporting on PMS Progress/SDBIP and IDP)
- Integrated Development Planning Meetings:
- Monthly Community Meetings by Councillors
 - o Izimbizo: Public Meetings for Budget, IDP etc.
- Project Based Meetings
- Municipal Property Rates Act (MPRA)
- Sector Plan Based Engagements
- Service Standard or Charter
- Community Based Planning
- Operation Sukuma Sakhe – Premier's
- Complaints Register:
- Flagship tool for Accelerated Service Delivery at a ward-base level
- Attendance to invitations by interest groups

In total, 101 ward committee meetings were held and 1 IDP community meeting was held in preparation for 2016/2017. This included all 12 wards; the break-down follows in the table below.

Table 10: Community meetings

Nature and purpose of meeting	Date of meeting	Number of participating municipal councillors	Number of community members attending
IDP Review & Multi-year budget meetings in Wards 1-12	12 April 2016	8	90
	15 April 2016	18	1800



Governance Structure (continued)

for the year ended 30 June 2016

Table 11: Public and Ward Committee Meetings

Nature and purpose of meeting Meetings in the following wards	Date of Ward Committee Meetings	Number of Committee Members attending (total of all meetings reported Requirement is 10/meeting)	Dates of Public Meeting	Number of participating Municipal Councillors	Number of Public attending (total of all meetings reported)
Ward 1	Quarter 1 31 July 2015 and 28 August 2015	16	10 August 2015	1 (Cllr Mkhasebe)	30
	Quarter 2 31 October 2015, 22 November 2015 and 27 December 2015	24	29 November 2015	1 (Cllr Mkhasebe)	131
	Quarter 3 29 January 2016, 26 February 2016 and 31 March 2016	26	04 March 2016	1 (Cllr Mkhasebe)	70
	Quarter 4 No meeting held	N/A	No meeting held	N/A	N/A
Ward 2	Quarter 1 22 July 2015 and 26 August 2015	20	30 September 2015	1 (Cllr Holmes)	97
	Quarter 2 30 October 2015 and 25 November 2015	20	No meeting held	N/A	N/A
	Quarter 3 27 January 2016, 24 February 2016 and 30 March 2016	30	04 March 2016	1 (Cllr Holmes)	109
	Quarter 4 05 May 2016	6	No meeting held	N/A	N/A
Ward 3	Quarter 1 19 July 2015 and 12 September 2016	14	29 August 2015	1 (Cllr Zondi)	121
	Quarter 2 17 October 2015, 15 November 2015 and 20 December 2015	26	20 December 2015	1 (Cllr Zondi)	60
	Quarter 3 24 January 2016, 21 February 2016 and 20 March 2016	26	04 March 2016 and 20 March 2016	1 (Cllr Zondi)	150
	Quarter 4 24 April 2016, 22 May 2016 and 19 June 2016	23	19 June 2016	1 (Cllr Zondi)	44

Governance Structure (continued)

for the year ended 30 June 2016

Table 11: Public and Ward Committee Meetings (continued)

Nature and purpose of meeting Meetings in the following wards	Date of Ward Committee Meetings	Number of Committee Members attending (total of all meetings reported Requirement is 10/meeting)	Dates of Public Meeting	Number of participating Municipal Councillors	Number of Public attending (total of all meetings reported)
Ward 4	Quarter 1 17 July 2015, 21 August 2015 and 20 September 2015	22	27 September 2015	1 (Cllr Nkuna)	120
	Quarter 2 18 October 2015 and 22 November 2015	23	22 November 2015	1 (Cllr Nkuna)	133
	Quarter 3 21 February 2016 and 20 March 2016	24	04 March 2016	1 (Cllr Nkuna)	90
	Quarter 4 No meeting held	N/A	No meeting held	N/A	N/A
Ward 5	Quarter 1 31 July 2015 and 29 August 2015	18	15 August 2015	1 (Cllr Lewis)	30
	Quarter 2 30 October 2015 and 27 November 2015	18	20 December 2015	1 (Cllr Lewis)	26
	Quarter 3 29 January 2016, 26 February 2016 and 25 March 2016	28	04 March 2016	1 (Cllr Lewis)	40
	Quarter 4 29 April 2016, 21 May 2016 and 24 June 2016	22	24 May 2016	1 (Cllr Lewis)	77
Ward 6	Quarter 1 No meeting held	N/A	No meeting held	N/A	N/A
	Quarter 2 No meeting held	N/A	No meeting held	N/A	N/A
	Quarter 3 05 February 2016 and 04 March 2016	12	04 March 2015	1 (Cllr Miller)	45
	Quarter 4 01 April 2016, 06 May 2016 and 03 June 2016	18	03 June 2016	1 (Cllr Miller)	30

Governance Structure (continued)

for the year ended 30 June 2016

Table 11: Public and Ward Committee Meetings (continued)

Nature and purpose of meeting Meetings in the following wards	Date of Ward Committee Meetings	Number of Committee Members attending (total of all meetings reported Requirement is 10/meeting)	Dates of Public Meeting	Number of participating Municipal Councillors	Number of Public attending (total of all meetings reported)
Ward 7	26 July 2015 and 23 August 2015	14	15 August 2015	1 (Cllr Passmoor)	60
	No meeting held	N/A	No meeting held	N/A	N/A
	No meeting held	N/A	04 March 2016	1 (Cllr Passmoor)	70
	No meeting held	N/A	No meeting held	N/A	N/A
Ward 8	13 July 2015, 13 August 2015, 17 September 2015	30	13 September 2015	1 (Cllr Ndlovu)	120
	15 October 2015, 23 November 2015, 10 December 2015	28	13 December 2015	1 (Cllr Ndlovu)	30
	14 January 2016, 09 February 2016 and 17 March 2016	30	04 March 2016	1 (Cllr Ndlovu)	77
	07 April 2016 and 12 May 2016	18	14 May 2016	1 (Cllr Ndlovu)	65
Ward 9	13 July 2015	7	12 August 2015 and 13 September 2015	1 (Cllr Dlamini)	120
	14 November 2015, 12 December 2015	14	09 October 2015 6 & 23 January 2016 08 February 2016 04 March 2016	1 (Cllr Dlamini)	70
	30 January 2016, 21 February 2016 and 12 March 2016	21		1 (Cllr Dlamini)	130
	No meeting held	N/A	No meeting held	N/A	N/A

Governance Structure (continued)

for the year ended 30 June 2016

Table 11: Public and Ward Committee Meetings (continued)

Nature and purpose of meeting Meetings in the following wards	Date of Ward Committee Meetings	Number of Committee Members attending (total of all meetings reported Requirement is 10/meeting)	Dates of Public Meeting	Number of participating Municipal Councillors	Number of Public attending (total of all meetings reported)
Ward 10	15 July 2015, 27 August 2015	20	06 September 2015	1 (Cllr Majози)	120
	20 October 2015, 11 November 2015, 20 December 2015	30	20 December 2015	1 (Cllr Majози)	80
	25 January 2016, 24 February 2016 and 25 March 2016	30	04 March 2016	1 (Cllr Majози)	60
	20 April 2016, 19 May 2016 and 22 June 2016	22	26 June 2016	1 (Cllr Majози)	80
Ward 11	11 August 2015, 17 September 2015	20	23 August 2015	1 (cllr Nxele)	70
	19 October 2015, 23 November 2015, 20 December 2015	30	20 December 2015	1 (cllr Nxele)	59
	18 January 2016, 11 February 2016 and 17 March 2016	30	04 March 2016	1 (cllr Nxele)	55
	18 April 2016, 11 May 2016 and 17 June 2016	30	31 May 2016	1 (cllr Nxele)	60
	05 July 2015, 02 August 2015, 06 September 2015	27	23 August 2015 and 24 September 2015	1 (Cllr Zuma)	70
Ward 12	01 November 2015, 06 December 2015	18	06 December 2015	1 (Cllr Zuma)	77
	10 January 2016, 07 February 2016 and 13 March 2016	27	04 March 2016	1 (Cllr Zuma)	45
	03 April 2016, 01 May 2016 and 05 June 2016	27	29 May 2016	1 (Cllr Zuma)	66

Governance Structure (continued)

for the year ended 30 June 2016

2.4.2 COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS

The meetings provide a platform for the community members to raise their concerns and also have a say in the developmental issues affecting their wards. The meetings also ensure timeous feedback on their problems/issues raised in the previous year. However, there is still room for improvement (in some wards) to ensure that the meetings (both public and ward committee meetings) are held regularly.



2.4.3 IDP PARTICIPATION AND ALIGNMENT

Table 12: IDP participation and alignment

IDP participation and alignment criteria*	Yes/No
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 be calculated 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
Do the IDP KPIs align with the provincial KPIs on the 12 outcomes	YES
Were the indicators communicated to the public?	YES
Were the four quarter aligned reports submitted within stipulated time frames?	YES
* Section 26 Municipal Systems Act 2000	

Governance Structure (continued)

for the year ended 30 June 2016

COMPONENT D: CORPORATE GOVERNANCE

2.5 OVERVIEW OF CORPORATE GOVERNANCE

Corporate Governance at uMngeni Municipality entails risk management, supply chain management, performance management and internal audit which is unpacked below.

2.5.1 RISK MANAGEMENT

Risk management processes in uMngeni Municipality serve to:

- Identify and rate strategic and operational risks that have the highest potential to impact (positively or negatively) on the achievement of the municipalities strategic objectives.
- Serve as a valuable tool and reference source for management, assisting management in identifying and/or managing risks including financial, operational, compliance, reputational and strategic risks.
- Assist the municipality with the development and rollout of mapped controls and an action plan process at the Municipality

Risk management is a function of the Office of the Municipal Manager and all the General Managers in the different departments. Senior management must identify and manage all risks within their departments.

The top 5 risks identified within uMngeni Municipality are:

Risk No & Name	Consequences	Future Action Plan	Responsible Department
1. Electricity theft	Financial loss, compromised service delivery & loss of potential investors	Phased installation of smart meters	Office of the Municipal Manager & Technical Services
2. Human resource: Security control	Loss of municipal assets, loss of lives & financial loss	Budget provision for electronic access control, review SLA with security service providers, develop and implement access control policy	Office of the Municipal Manager & Corporate Services
3. Financial management: Assets management	Fixed assets may be lost, damaged, stolen, misappropriated or misused, financial loss & AG queries.	Develop and implement asset policy, quarterly update of asset register, appointment of additional staff within the assets unit	Office of the Municipal Manager, Finance (through CFO) and Corporate Services
4. Community: Indigent register	Loss of revenue, community unrest	Establishment of Indigent verification task team, review if the organogram to include indigent personnel	Office of the Municipal Manager and Community Services
5. Financial management: Debt management	Increase in outstanding debtors and possible bad debts, cash flow problems, poor service delivery	Annual review and implementation of Credit Control and Debt Collection policy, Phased installation of Smart meters	Office of the Municipal Manager and Finance (through CFO)

The risk register has 32 risks listed with details on risk description, root causes, consequences, inherent risk ratings, controls and details, current control rating, residual risk and future action plan.

The municipality's risk management framework for uMngeni Municipality is currently under review, with the help of the Provincial Treasury.

Governance Structure (continued)

for the year ended 30 June 2016

2.5.2 ANTI-CORRUPTION AND FRAUD RISK MANAGEMENT

In 2014, the Department of COGTA appointed KPMG to assist the Municipality in conducting the “Fraud Risk Assessment” which resulted to the development of a “Fraud Risk Register”. The Internal Audit Unit does regular follow ups on progress on risk management by the different departments within the Municipality.

The Internal Audit Unit has further approached the Department of COGTA for assistance with reviewing the Municipality’s current anti-corruption policy and systems thereof.

2.5.3 SUPPLY CHAIN MANAGEMENT

The supply chain management policy was reviewed and adopted by Council In June 2015 in preparation for the new financial year. The aim was to establish a credible base from which the business processes can be developed. The policy is aligned to the Model policy issued by National Treasury and to remove information that related to processes hence making it a legal document per the SCM regulations. Proper delegations and sub delegations per the SCM policy have been established and are continuously implemented.

The staff complement in the SCM unit is made up of the manager, the administration officer and 2 interns.

The SCM implementation plan was developed and implemented throughout the year and quarterly reports on implementation were submitted to the Mayor (i.e. the deviations report).

In terms of the MFMA SCM regulations, the SCM policy of the municipality must provide for a system of demand, acquisition, logistics, disposal, risk and performance management, and our policy does provide for it. Further details on tenders awarded in the year under review are disclosed in the next section on service delivery performance.

2.5.4 PERFORMANCE MANAGEMENT

The Municipality has a performance management unit within the office of the Municipal Manager (OMM). The current structure of the unit is made up of the Manager and an Officer. The operations of the unit are guided by various government legislation as well as the Municipality’s Performance Management Framework was adopted by Council in May 2014 and reviewed in August 2015.

The key performance areas for the unit include the development, monitoring, evaluation and reporting of the performance management system which entails the organisational performance management system (SDBIP , monitoring of performance information and reports, including annual reporting) and individual performance management system at senior levels (performance agreements, performance plans, personal development plans, management of Core Competencies Requirements and performance assessments).

The performance management unit complied with legislation. All performance reports were submitted to audit committee, Internal Audit MANCO and Council of the Municipality. However, the one thing that remains an ongoing challenge is the non-sitting of the performance assessment evaluation panels. This is mainly due to the fact that the panels are made up of external senior members of other municipalities who are never available for the assessments.

It is to be noted that the performance management unit is mainly responsible for monitoring performance as per the performance reports and information supported by the portfolios of evidence received from the Heads of various departments. Onsite performance monitoring remains the responsibility of supervisors and section managers, of which the HOD can further verify their reports prior to reporting to the Performance Management Unit.

Furthermore, the unit is currently exploring the process of cascading the individual performance management system to lower levels (of staff) within the municipality. It is to be noted with caution that this is not an easy process which must involve the human resources department, all senior managers and the labour unions.

A detailed performance report is found on chapter 3 of this Annual Report.



³ Service Delivery Budget Implementation Plan

Governance Structure (continued)

for the year ended 30 June 2016

2.5.5 BY-LAWS

Table 13: Status of Municipal Bylaws

Bylaw	Promulgated	Date promulgated
Pound advertising signs	Y	April 2006
Dogs	Y	April 2006
Dumping and littering	Y	April 2006
Cemetery	Y	April 2006
Control of parking	Y	April 2006
Attendants / car guards	Y	April 2006
Credit control and debt	Y	April 2006
Collection	Y	April 2006
Credit management	Y	April 2006
Electricity supply	Y	April 2006
Financial	Y	April 2006
Fire Brigade services	Y	April 2006
Funeral undertakers	Y	April 2006
Nuisances	Y	April 2006
Public health	Y	April 2006
Public meetings and gathering, processions and the like	Y	April 2006
Informal and economy by-law adopted by council		09 October 2014
Waste management	Y	April 2006
By-law relating to nuisance adopted by council		April 2008
Emergency services by-law	Not yet	still in draft stage
Traffic and crime prevention by-law		adopted by Council in October 2014
Dog by-law		to be reviewed

Enforcement of the current bylaws continues to be a priority for the municipality's traffic section as well as Economic Development and Planning Department. Hence there are deliberations on how and when to hire more enforcement officers.

Governance Structure (continued)

for the year ended 30 June 2016

2.5.6 WEBSITES

During the first half of year under review, the municipality's website was under construction; hence a some documents could have been inaccessible. However, a number of documents were uploaded as mandated by legislation.

Table 14: Municipal website: Content and currency of material

Municipal website: Content and currency of material		
Documents published on the Municipal website	(Yes/No)	Publishing Date
Current annual adjustment budget and all budget related documents	Yes	June 2015
All current budget policies	Yes	June 2016
The previous annual report 2014/2015	Yes	June 2017
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act 2011/2012 and resulting scorecards.	No	This work in progress
All service level agreements 2015/2016	No	This work in progress
All long term borrowings contracts 2015/2016	N/A	N/A
All supply chain management contracts above a prescribed value for 2015/2016	No	This work in progress
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2015/2016	N/A	N/A
Contracts agreed in 2014/2015 to which subsection (1) of section 33 apply, subject to subsection (3) of that section.	No	N/A
Public private partnership agreements referred to in section 120 made in 2015/2016	N/A	N/A
All quarterly reports tabled in Council in terms of Section 52 (d) Section 71 during 2015/2016	Yes	Quarterly
Any other information required in terms of Section 75 of the Municipal Finance Management Act.	Yes	January 2016

2.5.7 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Due to stringent financial constraints, uMngeni Municipality has not commissioned any community/ public satisfaction surveys. However, positive as well as negative feedback is received on a regular basis through the Control Office, Call Centre as well as the Office of the Municipal Manager (complaints register). The municipality has an active rapid response team responsible to responding to emergencies and also putting in place measures to ensure that service delivery protests are prevented.

However, the Community Survey (2016) released by Statistics South Africa (2016) also presents the community satisfaction survey (CSS) results and this section of the annual report gives a brief summary of the findings for KwaZulu Natal province. A full report is obtainable from Statistics South Africa's website as well as the municipality's website.

Governance Structure (continued)

for the year ended 30 June 2016

Summary findings follow:

- **Citizen ranking of top 3 priorities to be attended to by KZN provincial government** - Job creation, education and skills development and primary health care
- **Percent distribution of persons aged 15 years and older by local municipality and level of satisfaction with the quality of their main source of water** - very dissatisfied (15%), dissatisfied (20%), somewhat satisfied (5%), satisfied (58%) and very satisfied (2%)
- **Percent distribution of persons aged 15 years and older from households that are connected to the mains electricity supply by local municipality and level of satisfaction with the quality of their households' main electricity supply** - very dissatisfied (2%), dissatisfied (12%), somewhat satisfied (8%), satisfied (70%) and very satisfied (8%)
- **Percent distribution of persons aged 15 years and older who recently consulted in a municipal clinic by local municipality and level of satisfaction with the quality of the service they received** - very dissatisfied (4%), dissatisfied (12%), somewhat satisfied (20%), satisfied (62%) and very satisfied (2%)
- **Percent distribution of persons aged 15 years and older by local municipal and level of satisfaction with the overall quality of sanitation services used by their households** - very dissatisfied (4%), dissatisfied (32%), somewhat satisfied (6%), satisfied (56%) and very satisfied (2%).
- **Percent distribution of persons aged 15 years and older by local municipality and whether they are satisfied with the quality of the main dwelling they live in** - strongly disagree (16%), disagree (29%), somewhat agree (8%), agree (44%), strongly agree (3%)
- **Proportion of persons from households that made service delivery complaints in the 12 months prior to the survey by local municipality and type of service delivery complaint** - Electricity (12%), Housing (6.6%), Refuse Removal (1%), Sanitation services (12.6%), Water services (17.1%)
- **Top three services perceived as critically important by a highest proportion of persons aged 15 years and above by local municipality** - water services, municipal clinics and sanitation services
- **Percent distribution of persons aged 15 years and older by local municipality and level of satisfaction with general performance of local municipality** - very dissatisfied (10%), dissatisfied (40%), somewhat satisfied (32%), satisfied (7%) and very satisfied (1%)

It must be noted that the indicators be utilised as means for evidence based planning in order to ensure that they have conceptual relevance to communities. Furthermore, community engagements will be conducted in all wards from 07 November 2016 to 19 November 2016 as part of the 4th generation Integrated Development Plan Process.

2.5.8 BACK TO BASICS



On Thursday, 18 September 2014, President Jacob Zuma and the then Minister for Cooperative Governance and Traditional Affairs, Pravin Gordhan hosted a Presidential Local Government Summit.

The summit included key local government and private sector leaders who adopted the Back to Basics approach as an urgent action plan to strengthen local government by getting the basics right.

The Five Pillars of the Back to Basics Campaign adopted at the summit are:

- Putting people first;
- Adequate and Community oriented service provision ;
- Good governance administration;
- Sound financial management and accounting; and
- Robust institution and administration.

The municipalities' progress on these pillars is monitored monthly by the National Department of COGTA (DCOG) and quarterly by the Provincial Department of COGTA (COGTA).

Currently, uMngeni Municipality's biggest challenge has been delayed reporting of some of the key performance indicators which resulted to the municipality obtaining lower B2B scores (from COGTA).

However, the Municipality has since tasks one of the senior managers to champion the B2B reporting process in order to make sure that the reports are submitted in time.

Governance Structure (continued)

for the financial year ended 30 June 2016

2.5.9 UMNGENI LOCAL MUNICIPALITY

AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2016

We are pleased to present our report for the financial year ended 30 June 2016.

Composition of the Audit Committee

The Audit Committee of uMngeni Municipality is made up of three members who are not employed by the municipality and thus independent as required by section 166(4) of the Municipal Finance Management Act (MFMA). The Audit Committee members were appointed in terms of a council resolution.

Below are the names and designations of each of the Audit committee members:

Name of Member	Designation	Status
Adv. S Sethene	Chairperson	Contract ended August 2016
Mr. C Ngubane	PMS Specialist	Resigned August 2015
Mrs. N Gevers, CA(SA)	Member	Resigned November 2015
Mr. L Kubheka	Member	Contract ended August 2016
Mr. B Dladla	Member	Contract ended August 2016

The processes to appoint new audit committee members is close to its finalisation, it is projected that appointment will be made by end of February 2017.

Meeting Attendance by the Audit Committee members

The Audit Committee consists of the independent members listed hereunder, is required to meet at least four times per annum as per its approved Terms of Reference. During the year under review; meetings were held as follows:-

- 7 August 2015
- 31 August 2015
- 15 October 2015
- 22 April 2016

For the 2015/16 financial year, a total of five meetings (as stated above) were scheduled by the uMngeni local Municipality Audit Committee and the attendance for these meetings was recorded as follows

Name of Member	Number of meetings attended
Adv. S Sethene	4
Mr. L Kubheka	4
Mr. B Dladla	2

Audit Committee responsibility

We report that we have adopted appropriate formal Terms of Reference in our charter in line with the requirements of section 166 of the Municipal Finance Management Act, No. 56 of 2003. We further report that we conducted our affairs in compliance with the Audit Committee Charter as adopted by Council.

The effectiveness of internal control

We have reviewed various reports from the Internal and External Auditors, and the report on the adequacy and effectiveness of internal control systems. During the year under review, several deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General.

Furthermore, management should take all reasonable steps to ensure that internal control weaknesses identified by internal and external auditors are rectified to ensure adequacy and effectiveness of the system of internal controls.

Governance Structure (continued)

for the financial year ended 30 June 2016

Internal audit

In the 2015/16 financial year, a decline in the activities of the Internal Audit were identified, the main cause related to the shortages within the unit due to vacancies and the non-reappointment of internal audit trainees that normally assist the unit with workload.

The committee is satisfied with the processes and policies that have been developed in the unit and monitoring the internal audit work as per the approved risk based internal audit plan. The Audit Committee does however note that improvements and filling of vacancies need to be made within the internal audit activity especially concerning an increase focus in compliance audits.

The quality of in-year management and monthly/quarterly reports submitted in terms of the MFMA

The Audit Committee reviewed the quarterly financial reports as required by section 72 of the MFMA in the meetings that were held for the year under review. The municipality further relies on the reviews done by Treasury and Auditor General in terms of the quality thereof.

Evaluation of financial statements

The Audit committee was unable to review the Annual Financial Statement of uMngeni Municipality for the 2015/16 financial year prior to submission to the Auditor-General due to late submissions caused by delays in internal processes. The Committee however, concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

Evaluation of the Performance Management System

The Internal Audit Activity has reviewed the performance management systems and information in terms of the relevant laws and regulations and submitted the reports to the Audit committee for quarter one to four of the 2015/16 financial year. The Committee was concerned with the late submissions, and poor performance in some quarters and recommends improvements for the upcoming and future years. The findings on such were thus discussed and action plans to address such findings were developed for implementation by management. Furthermore, the Committee concurs and accepts the Auditor-General's conclusions on the annual performance report and is of the opinion that the audited annual financial statements and performance report be

accepted and read together with the report of the Auditor-General.

Other issues

Reports and recommendations related to indications of fraud in the irregular expenditure that was reported in the prior year - 2014/15 were made to council and COGTA. It is however noted that this investigation has not yet been finalised and thus no final report on the matter has been issued to the municipality.

The Committee wishes to express its appreciation to the officials of the municipality and the Auditor-General for their assistance and co-operation.



Adv. Smanga Sethene

Chairperson of the Audit Committee

31 July 2016



Service Delivery Performance Report

for the year ended 30 June 2016

CHAPTER 3: SERVICE DELIVERY PERFORMANCE REPORT

The Annual Performance Report has been audited by the Auditor General as part of the 2015/2016 audit.

The financial year 2015/2016 marks the fourth year of the Local Government 3rd generation Integrated Development Plans (IDP). The cycle began in the financial year 2012/2013. This Annual Performance Report aims to reflect on the major IDP achievements for uMngeni Municipality in 2015/2016 financial year.

The Annual Performance Report (APR) is a legislative requirement which prescribes that the report must be submitted to the Auditor General by the 31st August annually. The Annual Performance Report, amongst other documents forms part of the consolidated Annual Report of the Municipality which must be tabled to Council by the end of January on an annual basis.

This APR is based on the National Treasury annual report template issued in 2013 which was further customised to reflect only the services rendered by the Municipality.

In preparation for 2015/2016 financial year, the Honourable Mayor, Cllr MP Myeni signed the Organisational Service Delivery and Budget Implementation Plan (SDBIP) on 30 June 2015. The Senior Managers (employed prior to July 2015) signed their performance agreement which were then approved by Council on 20 July 2015, and publicised on local newspaper as per the legislative requirements. Furthermore, the Performance Management System Framework was reviewed and approved by council in August 2015.

Performance reporting by various internal departments (HODs) was done quarterly and these reports were further consolidated for submission and review by the Municipal Manager (MANCO), Audit Committee, and Internal Audit Unit and finally submitted to Council for approval.

Informal and Formal quarterly performance assessments for all Senior Managers were conducted by the Acting Municipal Manager, Mrs G. Gumbi-Masilela. The Annual assessment had to be postponed due to non-availability of all committee members.

The Municipal Manager position was filled by two Acting Municipal Managers, Mr SG Simpson in quarter one and Mrs G. Gumbi-Masilela assumed duty in quarter two of the financial year under review.

The Municipal Public Accounts Committee (MPAC), Audit Committee, Interim Finance Committee (IFC) and Credit

Control Committee have continued to play their oversight role.

The Audit Committee has played a really commendable role in not only ensuring that issues of concern are raised with council but the members further assisted the administration team of the municipality to address performance related concerning issues in order to improve organisational performance.

The APR 2015/ 2016 of uMngeni Municipality is presented as follows:

Functional area service delivery reporting per department

- Section A: Service Delivery, Financial Performance and Organisational Development Report
- Section B: Service Delivery Budget Implementation Plan (scorecard and departmental operational plans) Annual Performance Reports

Section A, presents service delivery and financial performance reports of the different departments within the municipality. Various service delivery components within the departments are reported. Section B is a summary report of the departmental SDBIP reports.

SECTION A: SERVICE DELIVERY OVERVIEW & FINANCIAL PERFORMANCE

Introduction

The South African Constitution states that municipalities have the responsibility to ensure that all citizens are provided with services to satisfy their basic needs. The most important basic services that are key to the service delivery mandate are:

- Water supply
- Sewage collection and disposal
- Refuse removal
- Electricity and gas supply
- Municipal health services
- Municipal roads and storm water drainage
- Street lighting
- Municipal parks and recreation

These services have a direct and immediate effect on the quality of the lives of the people in that community.

uMngeni Municipality has yet again succeeded in delivering services to the 105 609 residents and 37 352 households within the municipality, irrespective of the resource constraints and various administrative challenges experienced in the financial year under review, 2015/2016.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Figure one below reflects a demographical breakdown of the population groups serviced by the Municipality.

The financial status of the Municipality has remained stable. At the end of the financial year, the Municipality's liquidity management ratio was at 1:4. The Municipality has successfully developed a draft revenue enhancement strategy which was presented to Council at the strategic planning session held at Didima in November 2014. This has assisted the administration of the Municipality to commence deliberations on how to improve the financial status of the Municipality. At the end of the year under review, the revenue growth was at 94%. In terms of debtor's management, the Municipality has reached 84% collection rate and this is set to improve in 2016/2017.

Repairs and Maintenance of road infrastructure has improved. About R6 000 000 in the 2015/2016 Municipal reserves was allocated towards rehabilitation of roads infrastructure. 1300m (4m wide) access road to Khanya Village was completed and a further 650m of roads were resurfaced (incl. conversion of gravel to tar roads). 35000m² of potholes were fixed.

The position for Manager: Waste Management has finally been filled, as a result there has been great improvement in some of the waste management areas that seemed ignored due to insufficient supervisory and managerial capacity. The Municipality's landfill site in Curry's Post has been cleaned up and the management is currently ensuring that the legislative norms and standards for operating a land fill site are adhered to.

uMngeni Municipality appointed a new electricity service provider, Rockpower, responsible for electrification within the boundaries of the Municipality (in areas that are within the license of the Municipality).

27 new homes were constructed in partnership with the Hiltonian Society and as such all 27 households were electrified in the financial year under review. The Municipality continues to negotiate with farm owners to allow for electrification of their farm dwellers' households.

162 short term job opportunities were created through the EPWP programme. Furthermore, in partnership with the National Youth Development Agency (NYDA), the Municipality launched the Youth Build programme which absorbed 120 youth into a programme that through the TVET College imparted basic building and construction skills to this youth from the different wards/communities within the Municipality. The youth finished the 2 years programme and are awaiting graduation date.

The year under review ended with the construction of the Mandela Exhibition Centre sitting at 80%. Completion was initially planned for 31 August 2015, however due to unforeseen circumstances, the project was delayed for completion in 2016/2017.

Lastly, the key driver of service delivery was public participation. The functionality status of ward committees improved to 75%. The ward Councillors convened 46 Public meetings in total (out of 12 wards). IDP road shows were held in April 2014 in preparation for the 2015/2016 IDP and Budget and the performance management system.

Key service delivery achievements, challenges and measures for improvement reports per department follow.

3.1 COMPONENT A:

TECHNICAL (INFRASTRUCTURE) SERVICES

The Basic Services (Technical Services) component A within uMngeni Municipality includes: electricity; waste management (refuse removal); Parks, Gardens and Environmental Management; Roads and Storm water Management; Vehicles, Plant and Equipment Management. The housing section is split between Technical Services department (for EIAs and infrastructure rollout) and Community Services Department (for beneficiary management, allocations and consumer education workshops).

Water and Sanitation is the responsibility of uMgungundlovu District Municipality (UMDM) thus the report does not focus on this area to avoid misrepresentation. However, uMngeni Municipality remains responsible for facilitating the process of water and sanitation supply by UMDM through a referral system.

The responsibility of electricity supply is shared between uMngeni Municipality (Service provider), Eskom and Msunduzi Municipality (for Hilton area).

Redressing the infrastructural imbalances of the past remains the municipality's number one priority. At the end of financial year 2015/2016, the Municipal Infrastructure Grant (MIG) expenditure was at 52% for construction and rehabilitation of roads, storm water drains and construction of the Mpophomeni sports field. There were delays in construction projects due to challenges encountered with contractors that were appointed.

The municipality allocated a further R6m from its own reserves towards rehabilitation of roads infrastructure. This was mainly targeted at addressing the repairs and maintenance backlogs in areas where MIG could not be utilised.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Details of each unit within Technical Services are discussed in the sections that follows. This includes financial performance (per unit).

3.1.1 IDP CAPITAL PROJECTS

Various capital projects that were projected for implementation in the year under review were as follows. These are reported in the different sections of the annual performance report.

3.1.2 ELECTRICITY

As stated earlier in the report, uMngeni Municipal area is serviced by three electricity service providers being; Rock Power (service provider working on behalf of the Municipality), Eskom and Msunduzi Municipality (only in the Hilton area).

Out of 37 352 households within the Municipality, 26 068 households now have access to electricity.

The Municipality is negotiating with Eskom and farmers to extend electricity supply to farm dwellers' settlements.

The electricity losses continue to be one of the Municipality's biggest challenges which the 'Revenue enhancement strategy' is seeking to address. Amongst the major causes of this problem are; mainly technical challenges, faulty meters, theft and non-payment of

electricity accounts by residents.

As part of revenue enhancement strategy, the Municipality is still in the process of exploring the idea of establishing a fully-fledged internal electricity unit that will take over the responsibility of electricity services which will also allow for the municipality to take-over the Hilton area from Msunduzi Municipality.

Electricity losses are reported on note 24 of the Annual Financial Statements.

Brief summary of the achievements:

According to Stats SA 2011 Census, 85% households have access to electricity. This means that in the past 4 years, uMngeni Municipality has been working on clearing the backlog of 15%.

During 2015/2016 financial year, 27 low cost households in the Hiltonian Society, ward 12 were electrified. Further connections were done to households with faulty meters and any other electricity faults.

The table below illustrates the electricity financial performance, comparing three financial years. The trend observed from the presented figures is that there has been no improvement in the actual revenue collected from electricity over the three years.



Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Table 1: Electricity Financial Performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue (excl. tariffs)	65 275 000	63 675 000	56 777 666	61 416 516	65 538 661	56 907 328	76 935 938	81 917 353	67 531 934
Expenditure:									
Repairs and maintenance	6 610 000	1 066 000	733 696	5 564 426	4 214 426	2 160 273	6 758 863	4 214 426	3 492 492
Other	84 027 062	87 358 969	77 197 547	77 197 318	86 876 175	79 408 529	93 221 679	104 501 118	99 203 604
Total operational expenditure	90 637 062	88 424 969	77 931 243	82 761 744	91 090 601	81 568 802	99 980 542	108 715 544	102 969 096
Net	(25 362 062)	(24 749 969)	(21 153 577)	(21 345 228)	(25 551 940)	(24 661 474)	(23 044 604)	(26 798 009)	(35 437 162)

Challenges and measures for improvement on electricity overall performance

Challenges encountered in 2015/2016 are:

- The lack of internal electricity unit means that the municipality is only supplying and recovering revenue from only 76% of its population as some electricity is provided by Eskom and Msunduzi;
- The backlogs on the repairs, maintenance, refurbishment and replacement of electricity infrastructure;
- This can be attributed to technical distribution, illegal connections, faulty meters, and non-payment of accounts.

Measures for improvement:

In order to curb the challenges presented and improve on revenue collected from supply of electricity, the Management team is finalising the revenue enhancement strategy which includes amongst many;

- 'Stop electricity theft campaign' and non-payment disconnections.
- Conversion of conversional meters to prepaid to ensure receipt of payments through purchases instead of having to bear the costs and losses of write-offs.
- Introduction of 'SMART' metering prepaid system

The plan includes adoption of the 'revenue enhancement strategy' in the first quarter of 2016/2017, and implementation to commence thereof.

3.1.3 WASTE MANAGEMENT

Waste management within uMngeni Municipality includes, refuse removal, land fill site management, recycling and street cleaning.

About 16007 households benefit from the Municipality's weekly refuse removal, out of the 37 352 total households within the Municipality. Satellite stations have been set up in Nottingham Road for farmers' refuse collection by the Municipality.

Recycling continues to grow as the major component of refuse removal, as it has, through Wildlands been rolled out to areas such as Mpophomeni.

Removal of illegal dump sites remains a priority of the Municipality, this is done in partnership with DUCT.

In 2015/2016, the Municipality cleaned up the Curry's Post landfill site to meet the legislated norms and standards. Further refurbishment work will be done in 2016/2017.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The table below illustrates the waste management and the landfill site financial performance.

Table 2: Waste Management Financial Performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	14 000 996	14 000 996	14 451 044	10 519 552	10 519 552	10 467 939	11 437 124	11 375 207	12 019 468
Expenditure:									
Employees	3 656 840	3 530 204	3 509 427	3 205 154	3 848 621	4 288 665	3 901 515	3 687 632	4 505 976
Repairs and maintenance	638 319	464 319	414 362	1 327 838	1 467 110	1 394 731	179 318	4 740	4 740
Other	5 850 361	5 872 692	4 922 175	7 462 864	7 718 944	5 009 957	9 577 566	9 217 268	5 559 378
Total operational expenditure	10 054 520	9 867 215	8 845 964	11 995 856	13 034 675	10 693 353	13 658 399	12 909 640	10 070 094
Net	3 946 476	4 133 781	5 605 080	(1 476 304)	(2 515 123)	(225 424)	(2 221 275)	(1 534 433)	1 949 374

Table 3: Landfill Site Financial Performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	55 210	55 210	0,00	58 523	58 523	0	0	0	0
Expenditure:									
Employees	1 579 443	1 570 927	1 434 019	1 360 577	1 676 492	1 797 353	1 679 981	1 662 886	1 789 318
Repairs and maintenance	1 601 418	421 418	303 745	831 017	989 121	847 458	1 046 490	989 121	687 148
Other	1 223 178	1 093 361	3 258 983	1 166 744	3 089 168	5 348 178	3 282 734	3 102 774	3 213 696
Total operational expenditure	4 404 039	3 085 706	4 996 747	3 358 338	5 754 781	7 992 989	6 009 205	5 754 781	5 690 162
Net	(4 348 829)	(3 030 496)	4 996 747	(3 299 815)	(5 969 258)	7 992 989	(6 009 205)	(5 754 781)	(8 690 162)

Challenges and measures for improvement on electricity overall performance

Challenges encountered in 2015/2016 are:

Staff and vehicle shortage in the waste management section still remains a challenge in executing waste management tasks. However in the financial year under review, the section managed to clean up the landfill site, implement dump clearing projects, prompt refuse removal etc. The availability of EPWP short term staff helped to bridge the gap created by staff shortage. Time and time again, because of staff shortages, the refuse removal section extends the working hours and work overtime in order to eliminate backlogs.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Measures for improvement are:

- The need to review the organisational structure of the waste management section.
- Continued use of the EPWP staff
- Enforcement of bylaws by the environmental management section of the municipality to curb illegal dumping.
- A plan to fill all vacant positions within the Waste Management section.
- Budget for more vehicles

The next section presents roads and storm water related performance.

3.1.4 ROADS AND STORM WATER MANAGEMENT

Roads and storm water management is the competency of the Technical Services Department within the Municipality. Even though, road infrastructure rehabilitation and maintenance remains one of the Municipality's measure challenges, a lot has been achieved in the quest to eradi-

cating backlogs. The Municipality manages 365km of roads in the entire Municipal area.

In the period under review, the Municipality successfully allocated R6m from the capital reserves (as per Management Committee's (MANCO) decision, over and above the MIG allocations. This new allocation allowed for the Municipality to patch potholes and resurface (patch) roads in bad conditions.

In the period under review, the Municipality patched 35000m² of potholes, out of the 1200m². 8.5km of gravel roads were graded.

The roads built in 2015/2016 amounted to 650m. More had been projected, however, due to problems with the appointed contractors, less was achieved and these contractors contract process has been invoked.

A further 1300m (4m wide) access road to Khanya Village was completed.

The table below illustrates the roads financial performance, comparing three financial years. Roads did not have operational revenue.



Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Summary of progress on construction/ Repairs of roads and other capital projects

Name of project	Start date	End date	Tender value	Name of consultant	Name of contractor	Scope of work	Progress	Challenges	Intervention
Construction of Mpophomeni roads in ward 9	21 Jan. 2016	21 Jun. 2016	R1 536 539	Sukuma Consulting Engineers	Magubane Construction and Plant Hire	Two sections of roads, Inkonkoni in Korea and 28 Crescent in Japan	20%	Contractor is very slow	Progress meeting every two weeks to monitor progress and speedily resolve problems
Mpophomeni Sportsfield year 2	18 May 2016	30 Sept. 2016	R1 992 230	Excell@work	Valley River Trading	Change rooms for males and females, guard house, lights, mash fence glad on existing fencing	30%	Community issues	Political intervention through the office of the Acting municipal Manager is recommended
Lidgetton Sport Combo in ward 4	21 Feb. 2016	30 Jun. 2016	R1 536 539	Excell@work	Valley River Trading	Netball/ basketball combo court	0%	The same contractor establishing in Mpophomeni sportsfield will be constructing Lidgetton Sportfield as well	
Construction of Mpophomeni Roads in ward 10	21 Jan 2016	21 June 2016	R2 078 500	Sukuma Consulting Engineers	L.A.O Projects	Two sections of roads, Mnikathi Road and 52nd Street	21%	The contractor is very slow	
Construction of Mpophomeni Roads in ward 11	21 Jan 2016	21 June 2016	R2 676 893	Sukuma Consulting Engineers	Barleda Construction cc.	3 section of roads, Mvuthuza Street, Nyala street and 27th Crescent	0.5%	Community issues	Political intervention required through the Acting Municipal Managers office
Construction of Mpophomeni Roads in ward 08	8 May 2016	21 June 2016	R5 106 555	Esicongweni Consulting Engineers	Melokuhle Trading Enterprise	500 sitter hall, concrete palisade perimeter fencing, surfaced parking, outside ablutions	8%	None	
Construction of Midlands Road	21 Jan 2016	21 June 2016	R5 551 805	Sukuma Consulting Engineers	Thabile Construction cc	The scope of this project consist of Zenzani Road, Lidgetton West Road, Lions River Road, Tumbleweed Road, Deeside Road	Slow and unsatisfactory	There has been some community issues in one of the wards but the challenges are with the contractors themselves	
Pothole repairs	01 Feb 2016	30 June 2016	R5 400 000	Sukuma Consulting Engineers	Sinothando Construction cc	Repairs of roads in Howick and Hilton		The progress is very impressive, five teams are operating at the same time and two teams are working in Howick on pothole repairs, one in Howick West and one in Hilton. These are followed behind by a surfacing team. 26 000m ² has been completed	

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Challenges and measures for Improvement on overall performance of roads and storm water services:

Challenges encountered in 2015/2016 are:



Shortage of staff, plant and equipment as well as budget for implementation of the key performance indicators (KPIs) within the Technical Services department challenges the rate at which the existing roads can be repaired and maintained and storm water drains and lines can be cleared. This in turn results to an increase in unsafe roads conditions, incurrence of unbudgeted costs for potholes claims as well as excess water blockages on the roads.

Over and above the unsafe roads conditions, time and time again there is always a need to extend working hours which includes overtime in order to try and eliminate backlogs.

Measures for improvement are:

In order to overcome the challenges, the Department needs to adhere to the norms and standards for managing roads and storm water infrastructure. This means that there must always be a budget set aside for such repairs and maintenance, without any compromise.

The key measure for improvement in roads and storm water management is revision and implementation of the revised Departmental structure, and in the meantime filling the vacant position

3.1.5 PARKS, GARDENS, CEMETERIES AND ENVIRONMENTAL MANAGEMENT

This section reports on the maintenance and management of the public open spaces, the municipal cemeteries and general maintenance of the environment.

Parks, gardens and environmental management

The Municipality has established links with various environmental organisations such as DUCT, Wildlands, WESSA etc. as well as government departments such as Department of Agriculture and the Department of COGTA as part of environmental management.

The Municipality continues to be part of the Biodiversity Stewardship Programmes, in partnership with Ezemvelo KZN Wildlife and the Provincial Department of Agriculture and Environmental Affairs, the one is the ultimate proclamation of a protected area at Beacon Hill, Howick, and the other the ultimate proclamation of a Nature Reserve at Fort Nottingham.

In partnership with NGOs and CBOs, conservation areas are maintained and utilised by schools and communities, with the inclusion of awareness programmes and promotion of such areas as a wealth for our municipal area and communities.

The close cooperation and liaison with interested and affected parties and the relevant Provincial Department, District Municipality and NGOs and CBOs enables the Municipality to proactively manage the environment and avoid any possible disasters.

Future projects which will ensure inclusion of communities living in poverty are under consideration; however, there are NGOs and CBOs already aiming towards initiating Biodiversity-related projects, including those relating to wetlands (in Mpophomeni)

Cemeteries

The Municipality's key responsibilities in this area are; firstly, to ensure that the residents of uMngeni Municipality have access to burial land and crematoria (maintaining records of burials/ash internment at all 5 municipal cemeteries and 1 remembrance wall in Hilton, and ensuring that due preparation is done for burials and assistance available through the municipality to families) secondly, that the sites are well maintained; lastly, assisting rural communities with burials upon receipt of a formal request and confirmation by the ward councillor.

Through Community Services department, the Municipality also facilitates the process of pauper burials applications as and when necessary.

Furthermore, the process of developing the new cemeteries in Lions River is ongoing.



Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Table 4: Roads Financial Performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	No income collected								
Expenditure:									
Employees	4 870 224	4 658 224	3 853 996	3 752 324	4 273 350	4 611 684	4 462 174	4 709 834	4 364 525
Repairs and maintenance	8 244 482	4 450 000	2 422 862	6 659 500	6 663 800	4 824 513	7 050 300	13 425 592	13 355 394
Other	6 427 983	9 883 329	3 638 929	8 111 737	9 453 865	4 474 756	10 061 220	5 025 967	4 422 173
Total operational expenditure	19 542 689	18 991 553	9 915 788	18 523 561	20 391 015	13 910 962	21 573 694	23 161 393	22 142 092
Net	(19 542 689)	(18 991 553)	(9 915 788)	(18 523 561)	(20 391 015)	(13 910 962)	(21 573 694)	(23 161 393)	(22 142 092)

Storm water capital projects included construction of new storm water lines and drains in Mpophomeni, where new roads had been constructed. Under this unit (within Technical Services), storm water drains are constructed by contractor building roads. The role of the Municipality thereof is maintenance through cleaning and clearance of drains.

The storm water management system project for the Khayelisha housing project is 95% complete and is due to be completed by 30 July 2016.

Given that the drains are prone to blocking, causing the roads to be unsafe during rainy seasons, the Municipality is currently working on securing funds to purchase its own jet blasting machine to limit hiring costs and improve service delivery. The table below illustrates the storm water financial performance, comparing three financial years.

Table 5: Storm Water Financial Performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	No income collected								
Expenditure:									
Employees	2 429 432	2 338 082	1 969 298	1 955 178	2 150 114	2 159 378	2 241 113	2 169 167	2 126 969
Repairs and maintenance	3 667 313	2 387 313	646 519	3 312 525	1 961 273	793 048	2 075 026	125 145	39 537
Other	2 369 759	1 290 744	59 805	3 595 780	1 142 062	50 423	1 242 010	73 856	63 126
Total operational expenditure	8 466 504	6 016 139	2 675 622	8 863 483	5 253 449	3 002 849	5 558 149	2 368 168	2 229 632
Net	(8 466 504)	(6 016 139)	(2 675 622)	(8 863 483)	(5 253 449)	(3 002 849)	(5 558 149)	(2 368 168)	(2 229 632)

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Challenges and measures for improvement on overall performance of parks, garden,

Cemeteries and environmental management:

Challenges encountered in 2015/2016 are:

Shortage of staff, plant and equipment as well as budget for implementation of the key performance indicators (KPIs) remains the unit's biggest challenge. Maintenance of public open spaces, parks and gardens has to be split between areas. This results to a backlog as well as the perception that some areas are not cleaned.

Measures for improvement are:

The use of EPWP short term staff is helping to bridge the gap. In the meantime the Municipality has plans to revise the organisational structure and cut down on vacant positions.

3.1.6 VEHICLE, PLANT AND EQUIPMENT MANAGEMENT

This component includes workshop management and Municipal fleet management. The core functions of the workshop include vehicle, plant and equipment servicing, maintenance and repairs.

Municipal fleet management ensures that there is a proper system in place for monitoring the use of Municipal vehicles. All users of Municipal vehicles fill out the necessary documentation and have to get authorisation by their supervisors/ Managers prior to use of any vehicles.

Challenges and measures for improvement on overall performance of vehicles, plant and equipment:

Challenges encountered in 2015/2016 are:

The biggest challenge within this component is that there is a shortage of vehicles for use by various departments. Furthermore, most of the available vehicles, plant and equipment are old and require constant maintenance. As a result turnaround time to complete maintenance is stretched longer due to the waiting period.

Measures for improvement are:

The only solution to this challenge is for the Municipality to budget for more vehicles and procure new plant and equipment.

3.2 COMPONENT B: COMMUNITY SERVICES

3.2.1 SOCIAL SERVICES

The Social services unit is responsible for housing, management of libraries, management of the museum, management of the HIV/AIDS initiatives and facilitating the process of indigent register development.

Housing

Housing includes provision of low cost housing structures, rental dwellings, title deeds hand over as well as social compact processes (i.e.: consumer education, community liaison etc.).

In total, 7500 houses were required to be built by the Municipality. Except for the 27 houses built in partnership with the Hiltonian Society, no other new houses were built. This is due to the delays caused by the processes undergone by the housing projects.

EIAs have been approved for a number of housing projects totalling 2 900 units.

The Department of Human Settlement has approved Cedara/Khanya Village for phase 1 which is 100 of out of 650 units.

The distribution of the title deeds is the responsibility of the Housing unit. The unit is still continuing with the process of distributing title deeds.

The unit further conducted 7 consumer education workshops. The objectives of the programme follow:

- To ensure that all Housing Consumers in the entire residential property market understand the Government's role in the provision of housing;
- To ensure that consumers understands their rights, duties, responsibilities as well as their obligations, working in partnership with government to meet their housing needs.
- To ensure sustainable housing delivery. The tables below detail the status of the municipality's housing projects.



Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The tables below detail the status of the municipality's housing projects.

Table 6: Status of housing projects

NO.	PROJECT	STATUS	WARDS	OUTCOME
1.	Hiltonian Housing Projects (Phase 3)	The project is a partnership with the Hilton College to deliver housing units to the previously disadvantaged community of Hilton Village (Tea Pot Valley).	Ward 12	27 units built to completion – houses have been handed over to beneficiaries
2.	Cedara and Khanya Village Housing Projects	Funding application has been submitted to the Department of Human Settlements for construction of 650 units.	Ward 7	Construction of 650 housing units
3.	Gowrie Housing Project	Withdrawn by private sector partner.	Ward 3	The land owner has withdrawn from the agreement
4.	Hillside Housing	The project is at PDA stage. 100 units will be constructed. This process was delayed by the National Department of Agriculture's requirement for the Municipality to further conduct an EIA for water provision.	Ward 3	Partnership with private sector DEVCO for the donation of land and possible counter funding from DEVCO for construction of 100 units
5.	Khayelisha Housing	The ROD and DFA conditions are still to be met and 1500 units will be built upon approval.	Ward 7	1500 units to house Zuzokuhle and Shiyabazali informal settlers.
6.	Tumbleweed	This project is at ROD stage and 22 units will be constructed.	Ward 12	22 housing units
7.	St Josephs	This project is ta EIA stage. 80 units will be constructed.	Ward 6	80 housing units
8.	KwaMevana	This project is ta PDA stage. 21 units will be constructed.	Ward 12	21 housing units
9.	Lions River Phase II	This project is at ROD stage and 547 units will be constructed.	Ward 9	547 housing units to be constructed
10.	Lutchmans	This project is ta ROD stage and 82 units will be constructed.	Ward 4	82 housing units to be constructed

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The table below illustrates the housing financial performance, comparing three financial years. Housing does not have operational revenue.

Table 7: Housing financial performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	nil	nil	nil	nil	nil	nil	nil	nil	nil
Expenditure:									
Employees	617 481	547 257	503 438,52	1 156 102	1 041 902	794 059	1 699 737	2 169 167	2 126 968
Repairs and maintenance	60 000	5 000	nil	5 280	5 280	0	5 586	125 145	39 537
Other	567 408	221 983	98 027,32	157 833	154 167	1 370 302	177 686	73 956	63 127
Total operational expenditure	1 244 889	774 240	601 465,84	1 319 215	1 201 349	835 361	1 883 009	2 368 168	2 229 632
Net	(1 244 889)	(774 240)	(601 645,84)	(1 319 215)	(1 201 349)	(2 999 722)	(1 883 009)	(2 368 168)	(2 229 632)

Free basic services and indigent support

One of the Municipality's key mandates is improving the lives of its residents through services delivery. Through the indigent support programme, the Municipality has developed an indigent register that guides the process of providing free basic services to indigent residents. The indigent register is reviewed bi-annually to ensure that only eligible residents benefit from the free basic services programme.

The indigent register was updated and approved by Council in July 2015.

The indigent households receive 100kwh free electricity per month, provided that they have a prepaid electricity meter installed. Over and above that, properties with the value of up to R200,000 are also exempt from paying refuse charges.

There are 4537 indigent consumers that receive free basic electricity and 2756 households with free refuse removal.

Museum

There are three museums within the uMngeni Municipal area. The Howick museum is under Community Services Department- Social Services Unit. In the year under review, the museum was closed due to renovations that were concluded in August 2015. The museum is now operational and the systems are back in place.

The other museums within the Municipality are; 1. The Mpophomeni museum run by the Zulu Mpophomeni Tourism Experience (ZMTE) which was opened in December 2015. The Nelson Mandela Capture Site museum of which the temporary structure is operational and the Exhibition Centre is still under construction.

Libraries

The municipality has 4 fully functional libraries that are subsidised by the Department of Arts and Culture. These libraries are; Hilton library, Mpophomeni Library, Howick West Library and Howick Library.

Two libraries (Mpophomeni and Howick West) have cyber cafes, this entails internet access as well as computer literacy classes.

The Howick Library renovations were concluded within the financial year under review.

Overall, the libraries attracted new membership of 159 patrons.

All four libraries of uMngeni Municipality embark on outreach activities mainly targeting the communities within the areas that they are located in. In the year under review, the following outreach activities took place:

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

HOWICK WEST LIBRARY:

Toddlers program with pre schools

The Howick West Library has hosted a number of outreach programmes for toddlers, namely: Treasure Hunt, Basic Library Awareness, Face Painting, Jumping Castles, Musical Chairs, Easter Egg Hunt, Fire Fighting Awareness and Medical Emergency Awareness. The Activities included the following Pre-Schools: DNR, Happy Feet, Howick West Pre School, Kids Corner, Kids Creation, Kids College, Polly Wiggle and, God's Little Lamb.

Howick Secondary School Library

Howick West Library initiated the School Library at Howick Secondary School with outside assistance and volunteers. The school deals with a great number learners from the local communities. The school was assisted with stock, donations, training, and is now a fully functional library. It provides the pupils with easy access to books and audio visual materials and a place of solitude.

Chess

The library patrons have shown great enthusiasm in our weekly chess classes. This activity is run weekly in the Library Activities Room and has proven to be successful.

Cyber Café'

The cyber cafe is flourishing and the fact that the basic computer course is free has helped the community considerably. The free Internet Access has attracted a lot more people to visit the library.

Certification of documents

Howick West Library offers certification of documents to

the public. This is a service provided to the community solely for their convenience, whereas the nearest places of certification provided were Merrivale Post Office and Morling Street Police Station. This certification has proven to be the greatest service offered to the community.

HILTON LIBRARY:

Art and Crafts:

Workshops have been held every school holidays.

Vegetable garden:

Sibongumbovu Combined School have been given continued support in the growing of their vegetable garden the library has been providing the school with vegetable seedlings.

Reader awareness:

The reader awareness has been achieved by promoting new library material through displays.

Pre-schools:

Various pre-schools have been provided with additional reading material via block loans.

MPOPHOMENI LIBRARY

Library Cyber Café for Public Access:

The public benefited by using the cyber computers for Typing, Printing, Internet Access, Tertiary Application and Job Hunting. Daily public use of the Cyber computers amounted 5470 people in the period 01 July 2015 to 30 June 2016



Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Computer training:

The computer training/lessons were given Weekly on Monday to Friday to Adults and School Children on basic computer skills and competency on how to search the Internet, Emailing, MS Word, Power point and Excel.

In the period under review, 67 adults were trained and issued with certificates. Furthermore, 100 learners from various (5) primary schools within Mpophomeni were trained.

Schools library visits- Tuesdays & Thursdays:

The presentations were done by the Library NWY Committee consisting of Mpophomeni Library, Mpophomeni Community Support Centre, Mpophomeni SAPS, Mpophomeni Gender and Paralegals, Mpophomeni Clinic and Love Life. (*NWX= New World for You)

The Life skills Topics covered were: Peer-Pressure at School, Library Orientation, Readership, Heritage Day, Human Rights, Teenage Pregnancy, Rape, Trauma, HIV/AIDS & Myths, Healthy Life Style, Social Crime, Weapons, Drugs, Human Trafficking,

Schools library visits attendance:

The Life Skills presentation were done to all the schools (primary and high schools) within Mpophomeni. Total attendance was 2708 combined total for all the schools.

Fire fighting demonstration to primary schools:

On an annual basis, uMgungundlovu Fire Department is requested to do the Fire Fighting Demonstration for Mpophomeni Primary Schools and the demos were completed in collaboration with the Mpophomeni library.

Career guidance talk show/ exhibition for Primary schools:



The NWY Team had discovered that doing career talk shows/ Expos for Primary School learners is utmost important to expose learners at the early stage to different careers.

The Career Presentations and Exhibitions were done for

Mpophomeni Primary Schools grade 4s & 7s on the 30th July 2015 and on the 26th May 2016 at Mpophomeni Community Hall.

Both Career Expos were attended by 1734 learners, and the guest speakers were invited from the Nursing, Community Care Givers, Teaching, Tourism, ZMTE& Echo Museum, Ithembeni, Masibumbane, Mpophomeni SAPS& Community Support Centre, Howick SPCA, uMngeni Fire Department, Department of Arts & Culture and the UFM.

Library staff skills development:

Every year the Librarians attend the Annual Provincial Conference where new ideas and information is cascaded in order to improve service delivery. All the Library Assistants from the four libraries attended a two days skills development training workshop which was an accredited training course. The librarians also attended four interest Group Meetings.

HIV/AIDS and Operation Sukuma Sakhe Programmes (OSS)

The HIV/AIDS section falls within the Community Services Department – Social Services unit.



The HIV/AIDS section falls within the Community Services Department – Social Services unit.

OSS includes community profiling, HIV/AIDS initiatives and LAC, grants, ID and birth certificate assistance, taking part in ward based poverty alleviation war rooms, coordinating then Local Task Team interventions / meetings. On the other hand, OSS has been the biggest achievement for the municipality within social services. Community profiling has been carried out in 10 wards. Out of that process a number of people have been assisted to get grants, IDs and certificates. War rooms, which are part of OSS requirements, are taking place within all wards. The war room meetings are chaired by ward councillors together with war room conveners from the various government departments.

The local HIV/AIDS strategy was adopted by Council on 30 June 2016.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Challenges and measures for improvement on performance of social service

Provision of low cost housing is one of the Municipality's priority areas. However it is one that is faced with challenges that are beyond the control of the municipality. Even though there has been a number of projects planned, emanating from previous financial years, Environmental Impact Assessments (EIAs), authorisation for appointment of Implementing Agents (IAs) as well as obtaining funding from the DHS have all posed a stumbling block in the efforts toward getting the projects implemented to completion.

The Municipality's Management Committee has therefore initiated engagements with DHS in order to work on amicable solutions to ensuring service delivery concerning provision of houses. Further deliberations regarding EIAs are being initiated. This is crucial for the Municipality as all these projects are intended to assist with eradication of slum dwellings within the municipality, which will in turn results to services delivery to all residing within the Municipal boundaries.

Furthermore, the vacancies in the Housing section remain a challenge that the Management Committee is working on.

3.2.2 TRAFFIC LAW ENFORCEMENT AND VEHICLE LICENSING

The vehicle licensing unit falls within the community services department and is open daily to render and licensing services required by the community.

In the financial year under review, the licensing section ensured that additional staff for Learners and Vehicle Licensing are hired as service delivery was seriously hampered. This has resulted in improved Service delivery on Learners and vehicle Licensing.

The traffic police of the municipality are responsible for law enforcement (bylaws, speed camera prosecution), road safety and road worthiness. The challenges encountered by this unit are mainly to do with human capital and working resources (i.e. vehicles). Currently with the mentioned challenges, the traffic police do not perform their duties after 18:00hrs except for when they are on standby and this further challenges safety of community members using the roads at night.

Furthermore, the unit has also added the functions of the driver's license and PDP renewal functions. This commenced on 01 May 2016.

The table below illustrates the vehicle licensing financial performance, comparing three financial years.

Table 8: Vehicle licensing financial performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	15 634 400	15 103 815	26 279 601	12 838 609	28 384 515	24 321 555	30 030 817	24 320 382	12 307 202
Expenditure:									
Employees	6 392 490	6 369 222	6 610 685	7 130 894	7 231 531	7 572 776	7 608 548	7 710 482	7 597 650
Repairs and maintenance	320 811	253 534	161 471	271 281	222 383	209 829	794 124	286 793	40 660
Other	5 325 196	4 788 126	15 144 958	5 195 188	16 249 444	13 057 410	17 275 481	17 738 196	5 885 643
Total operational expenditure	12 038 497	11 410 882	21 917 114	12 597 363	23 703 358	20 840 015	25 678 153	25 735 471	13 523 953
Net	3 595 903	3 692 933	4 362 487	241 246	4 681 157	3 481 540	4 352 664	(1 356 771)	(1 216 751)

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.2.3 PROTECTION SERVICES

uMngeni Municipality's Protection Services unit deals with public safety, raising awareness on health hazards, prevention of the spread of communicable diseases. Disaster management is a component within the unit aimed at minimising disastrous incidents (minor and major) and providing relief to the affected community in case of disaster. However, currently the municipality does not have a fully flagged disaster management unit and hence relies on the uMgungundlovu District Municipality disaster management for major interventions.

In the period under review, the municipality reviewed the disaster Management Plan in line with the Act (Disaster Management Act 57 of 2002).

In compliance with the Act, uMngeni Municipality developed a Disaster Management Sector Plan at the beginning of 2015/2016. This plan aims to assist in proactive reduction and elimination vulnerability and address displacement of society and loss of life and property from disaster through multi-sectoral and integrated approach with active participation of all role players.

Furthermore, prior to the end of the financial year on 30 June 2016, the municipal Council adopted the Municipality's revised disaster management plan which will guide the operations of the Disaster Management Unit in the next financial year, 2016/2017.

Table 9: Disaster management financial performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	No Income	No Income	No Income	No Income	No Income	No Income	No Income	No Income	No Income
Expenditure:									
Employees	No Allocations								
Repairs and maintenance	No allocation			58 080	Nil	Nil	Nil	Nil	Nil
Other	168 445	63 445	16 494	269 042	201 121	31 319	212 787	143 921	42 102
Total operational expenditure	438 427	190 103	22 879	267 122	201 121	31 319	212 787	143 921	42 102
Net	(606 872)	(253 548)	(39 374)	(267 122)	(201 121)	(31 319)	(212 787)	(143 921)	(42 102)

There were no capital projects under Disaster Management Unit in the ended financial year.

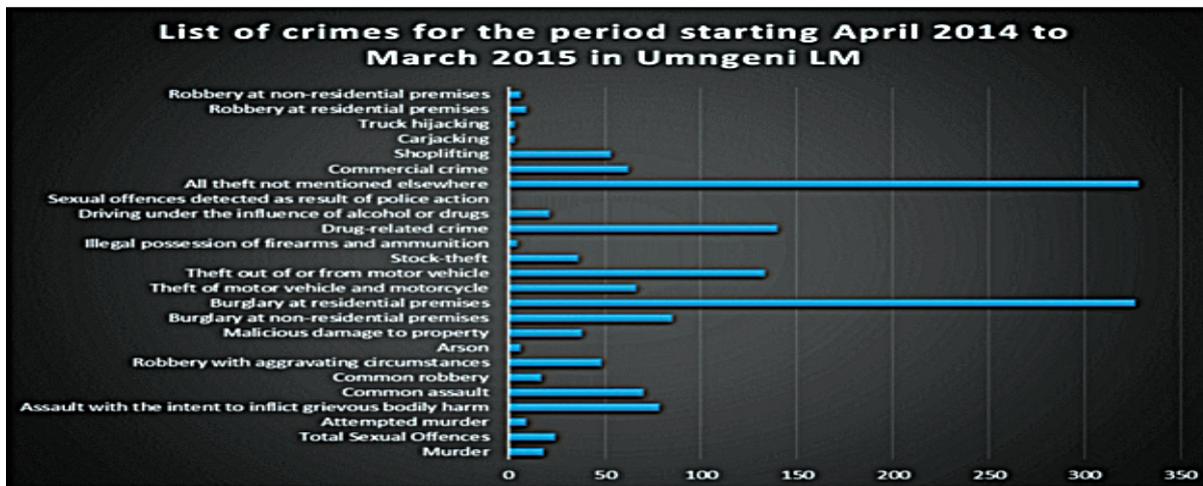
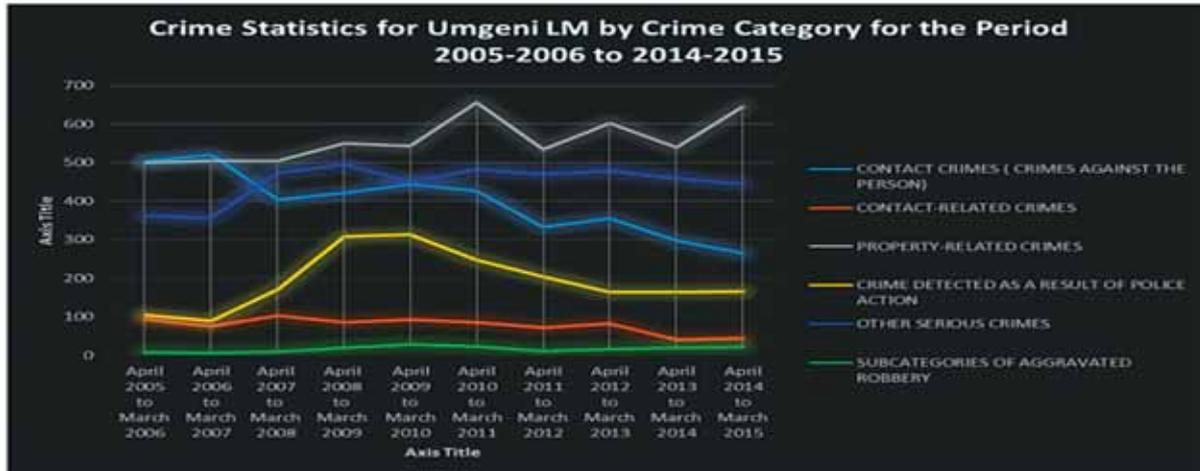
Added to the responsibilities of the Protection services unit is the need to work closely with all the police stations within uMngeni Municipality as well as the community policing forums in order to be able to monitor criminal incidents and thus strategically collaborate in the fight against crime of any nature.

Furthermore, prior to the end of the financial year on 30 June 2016, the municipal Council adopted the Municipality's revised disaster management plan which will guide the operations of the Disaster Management Unit in the next financial year, 2016/2017.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The diagrams below are crime statistics for uMngeni Municipality released by the Statistics SA (2016) in the 2016 Community Survey.



Burglary at residents remains high, it is thus important that the residents are vigilant at all times and report to the nearest police station any suspicious activities. See the emergency numbers on the last page of this Annual Report.

Challenges encountered and Measures for Improvement:

The municipality ensures that all disaster call outs are attended to and coordination of necessary interventions. We are also in partnership and member of Lions River Fire Protection Association, DUCT etc. However this could be better implemented if the municipality had a fully-fledged disaster management unit as it would allow for immediate intervention and would further allow for more programme to be implemented in the quest to prevention and reduction of reported incidents.

Despite awareness programmes conducted in informal settlements (aimed at ensuring an alert informed and self-reliance) negligence handling of flammable substance continues in these area. It impacts negatively on finances of the municipality in that this Municipality has to purchase and supply relief material to the displaced people.

Through coordination of disaster management incidents to all role players e.g. SASSA and Social Development and NGO's for the supply of disaster management relief, the challenges were addressed.

In future, this section will facilitate development and adoption of uMngeni Disaster Management Sector Plan which has all programme, purchase of relief materials for the displaced and consider adding more human capital to deal with disaster management on a daily basis.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.3 COMPONENT C: ECONOMIC DEVELOPMENT AND PLANNING

This component includes: planning and local economic development.

3.3.1 PLANNING

The main objectives of town planning are to provide local development and encourage public participation to the members of the communities. The main key performance area is to review the Spatial Development Framework as required by the Municipal Systems Act and to extend the town planning schemes to the areas that were previously not covered by the town planning scheme. Town Planning. The other objective is to process all development applications and enforce the town planning scheme as required by the KwaZulu-Natal Planning and Development Act. Delegations to perform certain duties were approved by Council and advertised in 2012 as required by the KwaZulu-Natal Planning and Development Act.

The planning section of the department ensured that compliance with the PDA, as well as the building and environmental regulations was adhered to.

The IDP review for the ended financial year was approved by Council on 25 June 2014.

The table below illustrates the planning financial performance, comparing three financial years.

Table 10: Planning financial performance 2015/2016

Details	2013/2014			2014/2015			2015/2016		
	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual	Original budget	Adjustment budget	Actual
Total operational revenue	534 615	686 065	540 564	724 485	691 204	692 377	1 031 294	966 175	471 452
Expenditure:									
Employees	6 008 405	6 193 305	6 389 250	7 231 625	7 306 482	7 054 418	7 189 060	7 369 951	7 310 907
Repairs and maintenance	126 079	26 579	20 624	43 152	28 322	11 251	29 965	10 185	8 412
Other	790 346	679 584	193 581	544 643	478 992	182 405	1 664 804	557 277	449 338
Total operational expenditure	(63 902 115)	(6 213 403)	(6 062 891)	(7 094 935)	(7 122 592)	(6 555 697)	(7 852 535)	(6 906 119)	(7 297 205)
Net	(63 902 115)	(6 213 403)	(6 062 891)	(7 094 935)	(7 122 592)	(6 555 697)	(7 852 535)	(6 906 119)	(7 297 205)

There were no capital projects under the planning section

3.3.2 ENVIRONMENTAL MANAGEMENT

This component includes: pollution control; biodiversity and landscape; and costal protection.

Environmental protection includes the function carried out through the Department of Planning and Development in assessing EIAs and monitoring EMPs related to developments. Assisted by Technical Services (Parks, Gardens and Environment) in terms of CARA legislation and maintenance of conservation areas.

Pollution control still rests with the uMgungundlovu District Municipality, and is monitored by the Provincial Department of Agriculture and Environmental Affairs, in liaison with Environmental Management and Parks, Gardens and Environment, with assistance from Disaster Management (Community Services) when applicable.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Sustained liaison and cooperation assists in improving performance and response to contain pollution. Support in terms of provision of litter control and refuse collection has been introduced and an Indigent Policy is in place to assist in terms of benefits to alleviate poverty. The Provincial Department of Agriculture and Environmental Affairs management projects within the municipal area aimed at improving the lives of those in poverty stricken areas. In addition the District Municipality, which addresses water and sanitation-related matters, has engaged with communities in awareness campaigns in partnership with NGOs and CBOs within our municipal area.

3.3.4 LOCAL ECONOMIC DEVELOPMENT

The local economic and development section has also had a great financial year in that a number of new LED projects were introduced. These include the business enhancement and retention project, the annual SMME business seminar and the crafters market implemented together with the Zulu Mphohmeni Tourism Experience

(ZMTE). Another big achievement for the section was getting the Mphohmeni Tourism Gateway to open for business.



Table 11: LED sectors

Economic Industry	Gross Value Added (R mill) at 2005 Prices					Average annual Growth Rate 2006 - 2010)
	2006	2007	2008	2009	2010	
Primary Sector	489	491	534	482	484	-0.2%
Agriculture, forestry and fishing	477	479	522	468	471	-0.4%
Mining and quarrying	12	12	11	14	13	3.1%
Secondary Sector	765	814	843	777	812	1.5%
Manufacturing	622	659	677	609	641	1.1%
Electricity, gas and water	59	54	48	41	41	-11.4%
Construction	84	102	118	128	129	15.5%
Tertiary Sector	1937	2078	2183	2219	2266	4%
Wholesale and retail trade, catering and accommodation	436	473	489	493	504	4.9%
Transport, storage and communication	281	304	317	320	327	5.2%
Finance, insurance, real estate and business services	569	612	651	654	665	5.4%
Community, social and personal services	271	288	302	304	307	4.4%
General government	380	400	425	449	462	6.7%

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The table below shows the staff complement of the LED unit.

Table 12: LED human resources capacity

Municipality	2013/2014		2014/2015		2015/2016	
	posts approved	filled posts	posts approved	filled posts	posts approved	filled posts
Number:	8	6	8	6	8	6

In the financial year under review 2015/2016, the municipality had 100 Food for waste beneficiaries recruited and placed for supervision under waste management unit. EPWP – 12 beneficiaries employed as ward assistant project and 150 employed for general maintenance projects. The table below is a comparison of three financial years in relation to short term job creations.

Table 13: Job creation

	2013/2014			2014/15			2015/2016		
	EPWP jobs	LED jobs	Co-ops jobs	EPWP jobs	LED jobs	Co-ops jobs	EPWP jobs	LED (food for waste jobs)	Co-ops jobs
No	90	9	0	56	95 +15 youth in waste	0	162	100	0

3.2.1 Local economic development (LED) projects

The table below presents the status of ongoing LED projects within uMngeni Municipality.

Table 13: Job creation

No.	Project	Description	Status	Outcome
1.	Business Retention and Expansion (BR&E) Programme	This is intended to facilitate economic growth of uMngeni Municipality through promotion of business expansion and retention.	Study completed on 30 June 2016	This is ongoing as TKZN is working on the BR&E strategy.
2.	Mpophomeni Craft Fair	Themed, "Promoting and Developing the Craft Business"	The Seminar took place in June 2015 and is intended to be an annual event	The crafters got a chance to engage with a new market and market their work.
3.	The Nelson Mandela Exhibition Centre	This exhibition centre will take over the functions of the current museum at the Mandela Capture site.	The construction is currently at 80% to completion.	The Exhibition Centre will cater for locals and tourists that want to learn more about the past and the role played by the late Dr Nelson Mandela in shaping South Africa to what it is today.

Furthermore, there were three SMME workshops conducted in the ended financial year.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Challenges and measures for improvement on overall performance of economic development and planning:

All planning requirements as per legislation were adhered to. With compliance regulations and documents submitted in time to council and all other relevant structures.

The number of approved posts in the LED section is eight (8), however, only 6 posts are filled due to financial constraints. Thus staff shortage is still a challenge for the LED section and MANCO is working on a strategy to address this.

3.4 COMPONENT D: CORPORATE SERVICES DEPARTMENT

The Corporate services department is made up of the Human Resources Management (which includes Human Resource Development), Labour Relations and Auxiliary Services.

3.4.1 HUMAN RESOURCES MANAGEMENT

uMngeni Municipality's Human Resources Management Office exists under the guidance of Corporate Services Department.

The HR Office has a mandate in particular to carry out the following duties:

- Recruitment, selection and employment;
- Pay and leave administration;
- Staff administration;
- Grading and remuneration;
- Sick leave management;
- Employee wellness;
- Rewards and recognition systems;
- Talent management and succession planning;
- Human Resource Development; and
- Staff morale, organisational diagnostics and perception studies.

The Corporate and Human Resources functions and responsibilities address many of the IDP requirements to ensure effective service delivery and community development, these include:

- To Contribute towards Employability of Youth and Community through internship programme.
- To ensure a competent workforce to achieve organisational objectives.
- Improve Quality and Management Control Processes.

In the period under review, the Human Resource Management Unit achieved the following:

- Embarked on a strategic workshop on Human Resources of which the policy was adopted by Council on the 29th of June 2016.
- Participated in a SALGA initiative on Human Resources profiling strategy for municipalities which resulted in uMngeni Municipality adopting a Human Resources Strategy for the entire municipality.
- Recruited interns and in-service trainees in almost all departments to respond to Human Resources Development and Poverty alleviation in our municipality focusing on Youth Development.
- Continued with study assistant programmes addressing skills development.

All staff members wanting to study, still benefit from the Assistance Study Programme to sharpen their skills, and increase their capacity. We are still utilising the services of the following institutions:

- KZN University
- Varsity College
- Durban University of Technology
- Umgungundlovu TVET College and
- University of South Africa (UNISA)

The fringe benefits for uMngeni Municipality are continuously offered. These are mainly, the medical aid and pension fund.

Medical Aids Companies

- Bonitas
- Global Health & Munimed operating as KeyHealth
- Hosmed
- Lamaf
- Samwumed

Pensions Funds

- Municipal Joint Pension Fund
- Government Employees Pension

Occupational health and safety

A Healthy and Safety Committee is still in place, and Health and Safety Representative have been trained to address Health and Safety issues of employees

The table below indicates the employment equity status of uMngeni Municipality as per the legislative requirements.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Table 15: Employment equity status

Occupational levels	Male								Female								Total			
	A		C		I		W		A		I		C		W		Projected		Actual	
	Proj	Actu	Proj	Actu	Proj	Actu	Proj	Actu	Proj	Actu	Proj	Actu	Proj	Actu	Proj	Actu	M	F	M	F
Top management	2	3	0	0	0	0	1	2	1	0	0	0	0	0	0	0	3	1	5	0
Senior management	12	14	1	2	2	2	3	2	3	5	0	0	1	0	3	2	18	7	20	7
Professionally qualified and experienced specialists and mid-management	17	22	2	2	2	2	3	1	15	20	1	1	6	7	3	0	24	25	27	28
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	27	30	1	1	1	0	3	1	36	37	2	3	3	5	8	5	32	49	32	50
Semi-skilled and discretionary decision making	12	13	1	1	1	1	1	0	2	2	0	0	0	0	1	0	15	3	15	2
Unskilled and defined decision making	45	45	1	1	1	1	3	0	50	57	0	0	0	0	5	0	50	55	47	57
Total permanent	115	127	6	7	7	6	14	6	107	121	3	4	10	12	20	7	142	140	146	144
Temporary employees	4	0	0	0	0	0	0	0	9	0	0	0	0	0	0	0	0	0	4	9
Grand Total	119	127	6	7	7	6	14	6	116	121	3	4	10	12	20	7	142	140	150	153

Managing the municipal workforce

Part of the duties of the Manager: Corporate Services include ensuring that the municipality's policies and plan are updated/ reviewed and made accessible to employees and the public at large. All HR policies have been reviewed and will be adopted by Council in the 2016/2017 financial year.

Performance rewards

The Mid-year performance assessments for Section 57 managers were conducted by the Evaluation panel elected by council. As part of financial austerity measures, Council resolved in 2011 that no performance bonuses would be paid. This resolution has never been rescinded thus no provision for performance bonuses is made when budgeting.

Capacitating the workforce

The Municipal Service Act 2000, S68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their power in an economical, effective, efficient and accountable way.

The Municipality through Human Resources Development Unit under the Corporate Services Department champions the skills development programme on behalf of the Municipality. Various training interventions are conducted through the Workplace Skills Plan (WSP).

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

There are training programmes offered to some employees in order to improve the quality and standard of service delivery. The Workplace Skills Plan is developed along the LGSETA guidelines. Almost what is due to the municipality in terms of the training rebates is collected on an annual basis in full.

Whilst the Human Resources Development Unit is tasked to improve the competency of the employees the unit is also responsible to work in partnership with various departments and training providers and communities to improve the level of skills, knowledge and behaviour of our employees and citizens to be active participants in the city and the economic development and growth of the municipality.

The Municipality has several well developed capacity development programmes and systems in place;

- Annual workplace skills plan
- Internship programme
- Management training programmes
- Councillor training programmes
- Tertiary institutions' qualifications/ programmes
- The municipality currently has 6 interns (this includes 1 in service trainee and 2 Internal Audit trainees).
- 19 staff members trained as per the workplace skills plan (WSP)
- 5 Managers attended the municipal finance management programme.
- 19 Staff members were registered at various tertiary institutions, through the study assistance programme.

Minimum Competency Levels for Senior Management

This section is reported in terms of the Local Government: Municipal Finance Management Act, 2003 – Regulations 15 and 18 of Municipal Regulations on Minimum Competency Levels, 2007, published under Government Notice R493 in Government Gazette 29967 of 15 June 2007 ("the Regulations") as set out in the Schedule.

MFMA Implementation Report: Municipal Regulations on Minimum Competency Levels

Name and address of the municipality: uMngeni Municipality Address: Corner of Somme and Dick Street, Howick, 3291 Contact Person: Mr HS Buthelezi (Acting Municipal Manager) Phone No: 033 239 9210 Email address: sandile.buthelezi@umngeni.gov.za						
Description	A. Total number of officials employed by municipality (Reg 14(4)(a) and (c))	A. Total number of officials employed by municipal entities (Reg 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Reg 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreement comply with Reg 16 (Reg 14(4)(f))	Consolidated Total number of officials who meet prescribed competency levels (Reg 14(4)(e))
Financial officials						
Accounting officer	0	N/A	0	0	N/A	N/A
Chief financial officer	1		1	1	Work in progress	1
Senior managers	4		4	Incomplete	Work in progress	4 (based on academic qualifications)
Any other financial officials	3 (Managers)		3 (Managers)	1 (2 are work in progress)	No PA signed	3
Supply chain management officials						
Head of supply chain management	0	N/A	N/A	N/A	N/A	N/A
Supply chain management managers	1 (Manager)		1 (Manager)		No PA signed	
Total	9		9		5	0

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

Table 16: Employee expenditure

Table 24: Employees whose salaries were increased due to their positions being upgraded

Beneficiary	Gender	Total
No positions were upgraded, however, salary scales were reviewed for all employees whose positions had previously been evaluated.		

Table 24: Employees whose salary levels exceed the grade determined by job evaluation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
The Job evaluation process is underway.				

Table 25: Employees appointed to posts not approved

Department	Level	Date of appointment	No. appointed	Reason for appointment when no post exists
The Job evaluation process is underway.				

This is not applicable to uMngeni Municipality.

Disclosures of financial interests

All Municipal Councillors and staff members have successfully disclosed their financial interests to avoid a situation of conflict of interest.

3.4.2 LABOUR RELATIONS

This section includes labour relations issues and employee wellness.

In the period under review, the Municipality appointed an Employee Wellness Officer to address the employee related wellness issues.

It is also to be noted that all newly appointed employees were inducted and signed the municipality's code of conduct.

3.4.3 AUXILIARY SERVICES

The Auxiliary services include secretariat services (to Council), administration, cleaning and maintenance of municipal buildings and registry.

The Unit ensures that all Council Committee meetings have secretariat available to write minutes and prepare (and distribute) agendas.

In the year under review, the municipal halls were renovated as per the maintenance plan.

The registry section continues to render printing and records management services to all the departments within the municipality. It is to be noted that together with the ICT unit, the registry is working on migrating to an electronic records management system. This will ensure effective and efficient records management, since space will not be a major issue/hindrance

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.4.4 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The Information Technology Unit is required to act as an enabler to Service Delivery. This is done through the provision of Systems and Services geared towards accelerated service delivery.

The ICT Strategy (Master Systems Plan) was developed in 2013/2014, aimed at aligning the vision and goals of the organisation as outlined in its Strategic Document (Integrated Development Plan) with those of the ICT Unit.

In the year under review below are the Key Performance Areas of the ICT unit;

- Implementation of the first phase of the Disaster Recovery Plan – Due to Financial Constraints the Implementation of the Disaster Recovery Plan had to be broken down into manageable phases. The key milestone of this phase was ensuring that Backups were adequately stored off-site. This phase has successfully been completed through Tape Media.
- Updating of the Municipal Website – The municipal website was adequately updated in alignment to the MFMA Compliance Calendar.
- Increase Stability and availability of ICT Services through improved Times to resolve calls – Time taken to resolve calls has decreased from 2 days to 4 hours, this was achieved through the appointment of Interns.
- Improve ICT Governance through Monthly ICT Steering Committee Meetings – The said Committee is scheduled to sit three times per Quarter, however due to the inconsistency in the Municipal Manager Post who is the Chairperson not all scheduled steering meetings sat.

The table below lists the automated systems currently utilised by various Departments at the municipality

Table 17: uMngeni Municipality's ICT systems

3	GeoDebt	Finance – Credit Control
4	UMTRAFMAN	Traffic Fines Management System
5	AcuGlobe	GIS
6	Tavtal Call Centre	Credit Control
7	TelTrace	Telephone Management System
8	VIP Payroll	Pay roll
9.	Geotab	Fleet Management

The website is updated on an ongoing basis to ensure compliance with various legislation (for documents that have to be up loaded on the website).

Challenges and Measures for Improvement Overall Performance on Corporate Services

Staff shortage, excessive overtime and labour strike actions remain the biggest challenge facing the Human Resources Management office.

The vacancies result to a vacuum that can only be filled through overtime work. The only solution to this challenge is filling the vacancies.

Training and development of staff and general communities, employee wellness programme, labour turnover and enhancing staff morale are all dependent on availability of funds and this remains a work in progress.

Budget constraints limit the provision of qualitative ICT service delivery viz implementation of certain projects for automated document management, complaint's management and provision of an asset register.

Increasing stability and availability of ICT services is still a challenge, when in the quickest time to get issues resolved is two days, due to unavailability of staff/ technicians. However, interns have been appointed as a temporary measure to minimise the impact of staff shortage.

Some of the measures put in place to ensure improved performance of the ICT unit are; budget monitoring and provision of desired incomplete of projects; ensuring that issues are addressed at the ICT Steering Committee.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.5 COMPONENT E: FINANCE DEPARTMENT

The reported financial year has challenged the above mentioned sections with a mammoth task of ensuring strict policy implementation and policy controls as the municipality keeps striving for a better financial position and desire to be the best performing municipality

The main services rendered by the finance department are revenue/ billing, budget, supply chain management and expenditure. These services are essential to the functionality of all internal departments.

The Finance Department is responsible for the following services:

Table 18: Finance department services

Budget Management	<ul style="list-style-type: none"> • Budget and Tariffs
Supply Chain Management	<ul style="list-style-type: none"> • Tenders • Quotations • Creditors Database
Expenditure Management	<ul style="list-style-type: none"> • Payments • Remuneration • Insurance • Financial Systems
Revenue Management	<ul style="list-style-type: none"> • Billing • Rates • Credit Control • Debt Collection • Cash Receipts and Banking • Customer Care
Financial control and Cash Management	<ul style="list-style-type: none"> • Cash Management • Reconciliations • Annual Financial Statements
Management Accounts and Financial systems	<ul style="list-style-type: none"> • Management Accounts

The Municipality has had a better financial year and listed below are some of the municipality's greatest achievements within the Finance Department:

- The Municipality obtained an unqualified audit opinion for the 2015/2016 audit by Auditor General.
- More money was set aside for repairs and maintenance of roads infrastructure.
- The Municipality has introduced Standard Charter of Accounting (SCOA) internally, as the National Treasury new regulations.
- The Finance Department has been compliant with the MFMA and the Treasury regulations.
- There was financial control and cash flow management through the Interim Finance Committee.
- The revenue enhancement strategy is almost ready for implementation.

3.5.1 SUPPLY CHAIN MANAGEMENT (SCM)

The SCM is responsible for procurement of services and goods required by various departments of the Municipality. There is an existing contracts register for the financial year 2015/2016.

3.5.2 BUDGET MANAGEMENT

The budget for 2015/2016 was adopted on 27 May 2015. This was after the community consultation roadshows held in various wards of the Municipality in order to ensure that the budget took into account the needs of the communities served by the Municipality.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.5.3 REVENUE MANAGEMENT

This section of the finance department is responsible for revenue collection, billing and debtors' management. The ended financial year ended with debts collection rate at 84%. Revenue quarterly collection rate at 94%. The revenue management office is currently finalising the revenue enhancement strategy which will be submitted to Council in first quarter of 2016/2017.

In compliance with the Act, uMngeni Municipality has developed a Disaster Management Sector Plan. This plan will assist in proactive reduction and elimination vulnerability and address displacement of society and loss of life and property from disaster through multi-sectoral and integrated approach with active participation of all role players.

3.5.4 EXPENDITURE MANAGEMENT (REF P28)

This section deals mainly with payments, payroll and cash flow management.

The creditors are paid within the timeframe of 15 days upon receipt of invoice by the payments office.

3.5.5 FINANCIAL PERFORMANCE

The financial performance of the Municipality is presented in the Annual Financial Statements (AFS) attached at annexure.

It is to be noted that for the period under review, uMngeni Municipality had R25 990 564 consumer debts impaired and provided for (see note 31 of the AFS).

The Municipality's authorised capital expenditure (in various wards) amounted to R42 619 524.

Note 42 of the AFS presents the Municipality's going concern status. It is to be noted that at the end of the period under review, the municipality had an accumulated surplus of R613 645 891 and its total assets exceeded its liabilities by R756 224 662. All unspent conditional grants are fully cashed bapassword@123cked. Furthermore, the municipality has investment to the value of R33 038 278 and cash and cash equivalent amounts to R6 796 232.

Lastly, in relation to the Supply Chain Management processes, at the end of the financial year 2015/2016, it was identified that unauthorised expenditure amounted to R39 876 489 which is mainly made up of depreciation and debt impairment amounts which are non-cash items. The other expenditure was for the landfill site, which is an essential service.

Fruitless and wasteful expenditure amounted to R825 024 and irregular expenditure amounted to R27 648 415. Deviations from supply chain management regulations are explained in note 46 and 48 of the AFS.

CHALLENGES AND MEASURES FOR IMPROVEMENT ON THE PERFORMANCE OF FINANCE DEPARTMENT OVERALL:

Revenue collection remains the municipality's biggest financial challenge, in order to address this, the municipality will further strengthen implementation of the revenue enhancement strategy in order to ensure a healthy cash flow of the municipality.

The Supply Chain Management deviations for 2015/2016 are reported on notes 48 of the Annual Financial Statements.

To improve on these, the Supply Chain Management (SCM) unit will be guided by the procurement plan which will be approved in 2016/2017.

3.6 COMPONENT F: EXECUTIVE AND COUNCIL (OFFICE OF THE MUNICIPAL MANAGER)

This component includes: Executive office (mayor; councillors; and municipal manager).

The Office of the Municipal Manager is made up of the Internal Audit Unit, the Performance Management System Unit, the Communications Office (Community liaison, Public Participation and special programmes) and the Youth Development Office.

The vacancy of the Municipal Manager has not yet been filled. This is a great challenge for the Municipality as there is significant inconsistency in the administration systems implemented. However the recruitment process is ongoing. In the meantime, the financial year 2015/2016 had two Acting Municipal Managers being, Mr Simpson and Ms Gabi Gumbi-Masilela.

Irrespective of the challenge of inconsistency in the leadership of the Office, the planned programmes and activities within this office have been successfully implemented.

3.6.1 COMMUNICATION, SPECIAL PROGRAMMES AND PUBLIC PARTICIPATION

Special programmes

The special programmes are an initiative of the Office of Premier, therefore the Office together with the UMDM play a pivotal role in ensuring that such programmes at local level are supported.

The special programmes forum launched in March 2015 has been very active in addressing issues that concern the groups represented by the forum.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016



The senior citizens programmes geared towards promotion of healthy aging and protection of the aged from abuse took place as follows; the District Golden games, capacity building workshop, and senior citizens training. Furthermore scheduled and unscheduled meetings with senior citizens clubs took place. There were three golden games events that took place, seven senior citizens meetings, two meetings with persons with disabilities and two gender programmes.



Public participation

The public participation office is mainly focused on ensuring functional public participation structures such as the ward committees, public meetings, war rooms and Mayoral Izimbizo.

The ward committees' held 101 meetings in the ended financial year, and attendance was 75% (average). 38 ward reports were submitted to the Department of COGTA. 46 public meetings were held by ward Councillors in the various wards and two IDP roadshows were conducted in the end financial year in preparation of 2016/2017 IDP and Budget.

3.6.2 YOUTH DEVELOPMENT OFFICE

In the financial year under review, the Council successfully appointed the Manager for Youth Development. The youth office remains a brainchild of the NYDA. There is no monetary support received for the running of the office. However the packages offered by the NYDA to young people have gone a long way as young people are afforded the opportunity to apply for business grants, get access to information and career guidance etc.

The youth office services include firstly, all the services offered by the NYDA (there is an active referral system), then outreach activities (including school visits), CAO tertiary applications, walk in services (incl. job hunting and CV development), life skills workshops, and tertiary institutions registration to new students.



The youth build programme by the NYDA was formally launched in August 2015. 100 young people from all wards within the municipality were part of the youth build project aimed at equipping young people with construction sector skills.

The Youth office conducted schools outreach programme focused on career guidance and assisting grade 12 learners with CAO applications. There were 9 sporting events which included the Mayoral games and the SALGA games. The office further held the talent development and poetry session events.

24 new tertiary students (from uMngeni Municipality) were assisted with registration fees to register at various tertiary institutions.

The Youth Office recorded 2901 new young people assisted in the office as walk-ins (this is based on the registers kept in the youth office).

The Office of the rights of a child (ORC) is still an operational component of the Outreach section. The community based ORC committees are operational.

The youth office hosted a number of successful June month events, which saw collaboration with various community groups.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.6.3 PERFORMANCE MANAGEMENT UNIT

The performance management system is essential in ensuring that the Municipality works towards realising its vision, mission, IDP goals and objectives.

The Service Delivery Budget Implementation Plan for 2015/2016 was signed by Her Worship the Mayor, Cllr MP Myeni on 30 June 2015. The Senior Managers signed their Performance Agreements and these were approved by Council on 29 July 2015.

The quarterly performance reports were reviewed quarterly by the Performance Management Unit, then audited by the Internal Audit Unit and further sent to Council for approval.

The Oversight Committee convened on 30 March 2015 to discuss the annual report for 2014/2015 and recommended for Council approval of the report. The oversight report and minutes are available.

3.6.4 INTERNAL AUDIT UNIT

The Internal Audit Unit is responsible for auditing the Municipality's systems and controls. This is done based on the internal audit charter and plan adopted by the Audit Committee (AC) on 15 October 2015. The Unit conduct both unplanned and planned audit activities.

The quarterly performance reports' audits were conducted and feedback reports were given to senior managers with recommendations to improve on future performance. These were also sent to Audit Committee.

The Audit Committee structure has been very active of which 4 meetings were held as legislated. The chairperson of the AC also gave feedback to Council on issues discussed at the AC meetings.

SECTION B:

PERFORMANCE ON LEGISLATED KEY PERFORMANCE AREAS

3.7 INTRODUCTION

This section presents the annual performance report as per the legislated National Key Performance Areas, goals, objectives, indicators and targets set in the Organisational Scorecard and the Service Delivery Budget Implementation Plan by all departments within the municipality.

The legislative framework that guides the development and implementation of the performance management system follow;

- Municipal Systems Act 32 of 2000, chapter 6
- Municipal Finance Management Act No. 56 of 2003
- Local Government: Municipal Planning and Performance Management Regulations, 2001

- White paper on Local Government
- Performance Management Guide for Municipalities, 2001

According to Regulation 13 (1) of the Municipal Planning and Performance Management Regulations of 2001; "a municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it". Thus the performance management system was reviewed after the IDP review community consultation roadshows in April 2014.

Furthermore, Section 53(1)(c)(ii) of the MFMA 56 of 2003 the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 28 days after the final approval of the budget. The Municipal budget was approved by Council on the 17th June 2015; 28 days fell on the 15th July 2015. The SDBIP was approved and signed by the Mayor on the 30th June 2015 to ensure implementation at the beginning of 2015/2016 financial year.

Quarterly audit reports indicated a need to revise the SDBIPs as there was clear misalignment with the IDP, in that some objectives that were included in the SDBIPs were not captured in the IDP. Whilst, during the performance assessments (informal and formal), it was concluded in agreement with the respective Heads of Departments that there was a need to revise some indicators and targets. Thus in order to address these, during the mid-year review process, the top layer SDBIPs were developed (as per circular 13 of the MFMA 56 of 2003) to only reflect the objectives captured in the Municipality's approved IDP review for 2014/2015. This top layer SDBIP was approved by Council as per Section 54 (1)(c) of the MFMA 56 of 2003.

This section of the report is the analysis of the Departmental SDBIPs and municipal performance based on the reported data and evidence submitted with the reports. The SDBIP reports are an annexure to this annual performance report (APR) for 2015/2016. It is to be noted that the portfolios of evidence (POEs) are audited quarterly by the internal audit unit. The audit reports are further discussed with management to ensure corrections and improvement in the findings raised.

Therefore the POEs to the information reported in this section have been audited by the internal audit unit.

Section 1.1 that follows highlights alignment of the performance management system with the Municipality's IDP, the key performance areas and the provincial growth strategy.

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.7.1 NATIONAL KEY PERFORMANCE AREAS, GOALS, OBJECTIVES

The performance management system is guided by the National Key Performance Areas (KPA) as outlined in the Local Government: Municipal Planning and Performance Management Regulations (2001) and these inform the strategic objectives and the Key Performance Indicators of the Municipality as illustrated in the Departmental Service Delivery Budget Implementation Plans (SDBIPs). Listed below are the KPAs:

- Municipal Transformation and Organisational Development
- Basic Service Delivery
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
- Cross Cutting (Spatial and Environmental)

The Municipality has developed 8 strategic goals which are aligned to the 7 provincial goals as contained in the PGDS and also aligned to the National Key Performance Areas. Table 26 below reflects on the linkages of the KPA's, KZN PGDS with the IDP Goals.



3.7.2 IDP GOALS, OBJECTIVES AND STRATEGIES

Spatial and environmental	Spatial equity Environmental sustainability	Spatial planning and environmental sustainability
Municipal transformation and organisational development	Human resource development	Service excellence and skills development
Basic Service delivery and infrastructure development	Strategic Infrastructure	Economic infrastructure development and maintenance Encourage sustainable human settlements
Local economic and social development	Job creation Human and community development	Transformation of the main economic sectors
Municipal financial viability and management	Governance and policy	Financially sound and sustainable municipality
Good governance and public participation	Governance and policy	<ul style="list-style-type: none"> - Good corporate governance - Enhance public participation - Strengthen inter-governmental relations

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

3.7.2 IDP GOALS, OBJECTIVES AND STRATEGIES

The table below provides an outline of the revised municipal objectives and strategies that are linked to the 6 key performance areas and the 8 municipal IDP goals and strategic objectives.

Table 19: Key performance areas (KPAs), goals and objectives

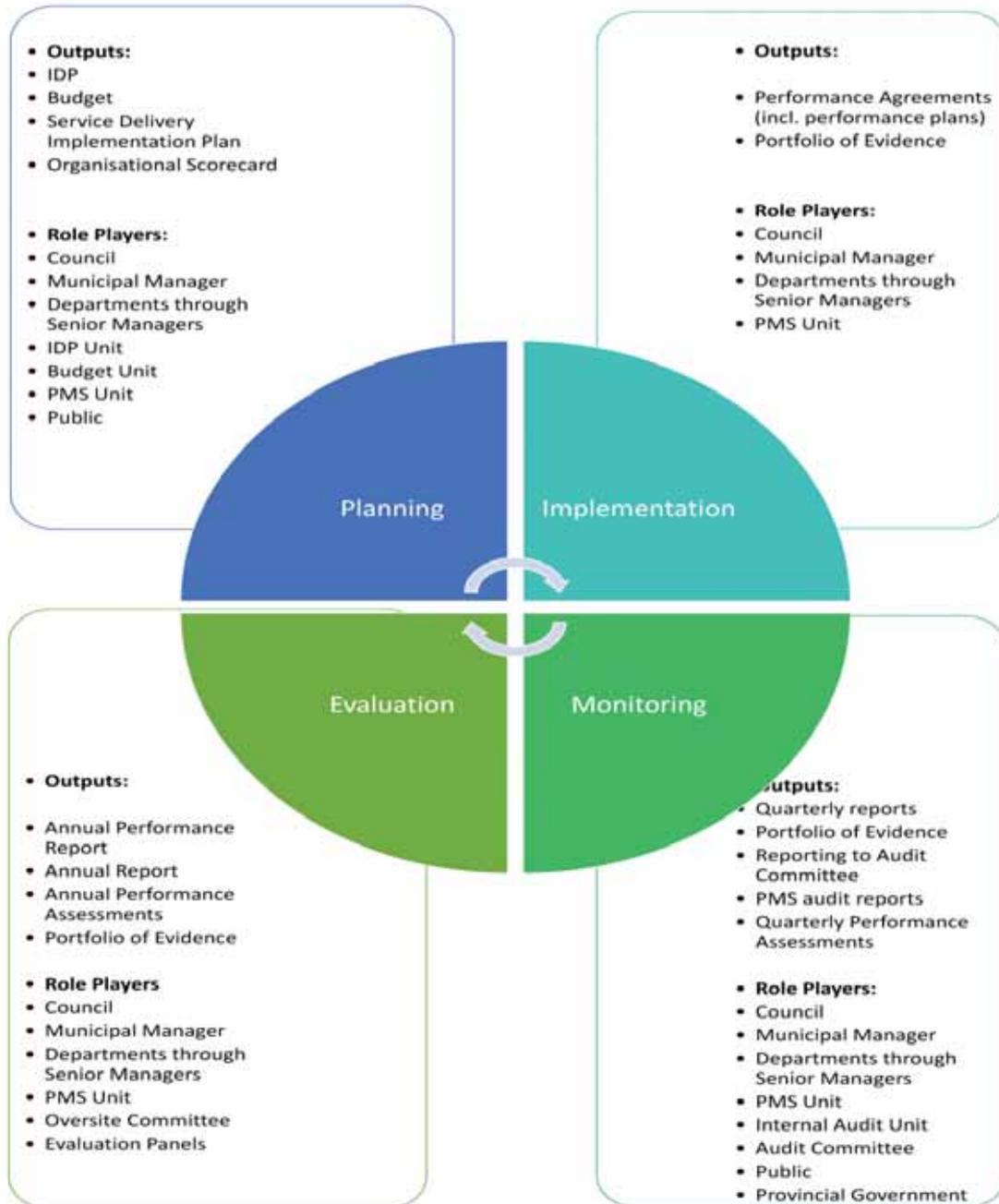
Key performance area	IDP goal	Strategic Objective
Municipal transformation and institutional development	1. Human resource development and management	• Maintain good labour relations
		• Promote employment equity
		• Enhance human resource management
Good governance and public participation	2. Good corporate governance	• Optimise information communication and technology solutions
		• Maintain law enforcement
		• Strengthened oversight functions
Local economic development	3. Sustainable socio-economic development	• Ensure stakeholder engagement
		• Maintenance of roads and storm water infrastructure
		• Construction and extension of electricity network to businesses
		• Support and grow the economy for investment and job opportunities
		• Support and promote tourism development
		• Coordination of agricultural development
		• Promote social development
Basic service delivery	4. Promote human settlements and infrastructure development	• Facilitate youth career development
		• Coordinate and facilitate provision of housing
		• Construction of roads and storm water infrastructure
		• Construction and extension of electricity network to all households
		• Management of cemeteries
		• Comprehensive waste management
Municipal financial viability and financial management	5. Financially sound and sustainable municipality	• Management of all public open spaces
		• Increase and diversify municipal revenue streams
		• Effective budget preparation and implementation
Cross cutting	6. Spatial planning and environmental sustainability	• Effective, efficient and transparent procurement of goods and services
		• Manage and regulate integrated development and spatial planning
		• Facilitate conservation and management of natural resources

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

The PMS process that was adhered to in monitoring, evaluating and reporting the SDBIP performance by the various departments within the Municipality follows:

Figure 2: Performance management system 2015/2016



The performance management system guided the SDBIP development process, implementation, monitoring, evaluation and reporting in the 2015/2016 financial year.

Introduction and Overview (continued)

for the year ended 30 June 2016

3.7.3 ORGANISATIONAL AND DEPARTMENTAL PERFORMANCE SUMMARY

The summary is based on the analysis done by the performance management unit, on the departmental SDBIPs' annual performance reported by various departments.

The analysis is focused on the targets set by the different departments based on the key performance indicators. Thus, the analysis was broken down to four performance indicators being; targets met, targets partially met, targets not met, Targets (actuals) not reported and lastly, evidence not received from the departments.

Table 20: Explanation of the analysis report

Analysis	Example
Targets met	A target to build 850 houses = 850 [or more] houses built and handed over
Targets not met	A target to build 850 houses = 0 houses built
Targets partially met	A target to build 850 houses = less than the targeted houses [there are houses built and handed over even though the target was not reached for this particular KPI]
Not reported	No report/ data received on that particular KPI
No evidence	Achievement is reported but no there was no evidence to support the report for some KPIs

In the financial year under review, the Municipality had 79 KPIs. However, the Finance Department has two KPIs that cannot be counted as Met or Not met as they are merely reports on whether there were deviations or not as per section 36 and section 32 of the SCM regulations. Therefore the analysis is based on 77 KPIs. Therefore the PMS unit first verified and analysed the different departmental SDBIPs then consolidated the results to illustrate the municipal picture in relation to

Implementation of the strategic objectives and the KPIs.

Overall SDBIP performance of the municipality



Figure 3: Organisational performance out of 78 KPIs

The graph above indicate that the municipality achieved 63% of the set targets based on the set KPIs.

The office of the municipal manager (OMM)

The Office of the Municipal Manager is the operations office of the municipality. All the governance functions as well as the functions of the Mayor's Office are carried out by staff working in the Office of the Municipal Manager.

The OMM has a total of 16 KPIs and the graph above depicts the achievements of the office in the financial

year under review. This department achieved 75% of its set targets.

With all the partially and not achieved targets, plans have been put in place to improve performance in the next financial year, 2016/2017. The graph below presents the performance status of the OMM.

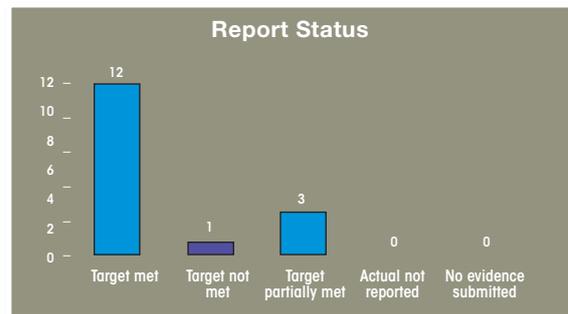


Figure 4: Performance of the office of the municipal manager (16KPIs)

Corporate services

The Corporate Services Department has a total of 11 KPIs and the graph above depicts the achievements of the office in the financial year under review. This department achieved 81% of the set targets (in relation to the KPIs).

Service Delivery Performance Report (continued)

for the year ended 30 June 2016

All the partially and not achieved targets as well as those not met, the Department has indicated measures for improvement as reported in section one of this annual performance report

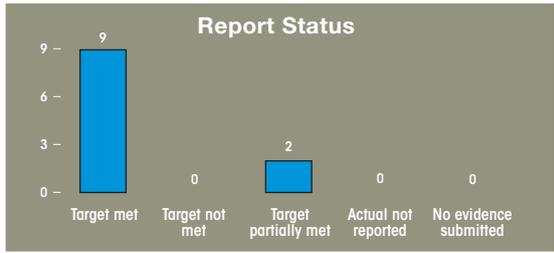


Figure 5: Performance of corporate services department (11 KPIs)

Economic development and planning department (EDP)

The Economic Development and Planning Department has a total of 13 KPIs. This department achieved 38% of the set targets (in relation to the KPIs). Measures have been put in place to improve the department's performance that is below 50%. These will be considered for the 2016/2017 SDBIP.

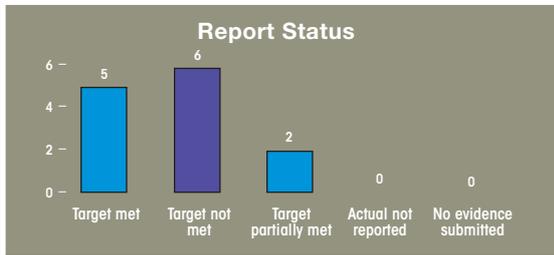


Figure 6: Performance of the economic development and planning department (13 KPIs)

COMMUNITY SERVICES DEPARTMENT

The Community Services Department has a total of 12 KPIs and achieved 91% of the set targets (based on KPIs). Measures for further improvements have been considered for the 2016/2017 SDBIP.

The following graph presents the performance status of the Community Services Department.

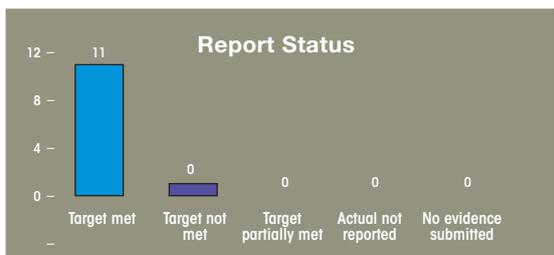


Figure 7: Performance of the community services department (12 KPIs)

Technical services department

The Technical Services Department has a total of 11 KPIs and this department achieved 27% of the set targets (in relation to the KPIs). Most targets were partially achieved and measures have been put in place to improve performance in the next financial year, 2016/2017.

The graph below presents the performance status of the Technical Services Department.

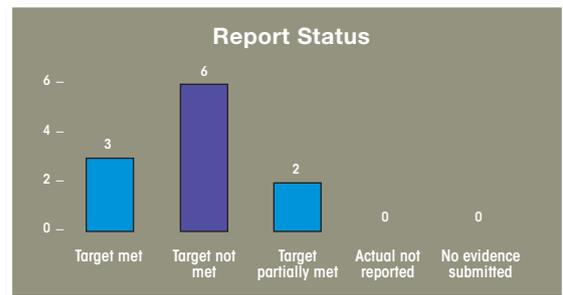


Figure 8: Performance of the technical services department (11 KPIs)

Finance department

The Finance Department has a total of 16 KPIs and this department achieved 43% of the set targets (in relation to the KPIs). Most targets were partially achieved and measures have been put in place to improve performance in the next financial year, 2016/2017. However, two KPIs refer to the Section 36 procurement procedure and Section 32 (deviations reports) of which it is ideal not to opt for such procurement procedures, unless there is no other option. As a result these will not count as targets achieved or not achieved. The Total KPIs that count are therefore 14.

The graph below presents the performance status of the Finance Department.

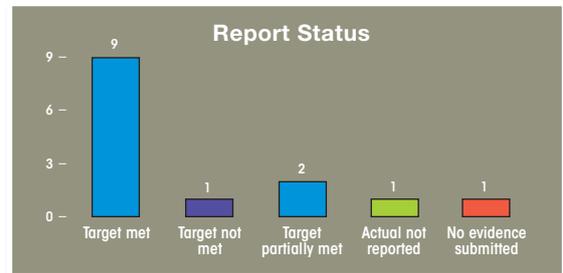


Figure 9: Performance of the technical services department (11 KPIs)

Annual Financial Statements

for the year ended 30 June 2016

General Information

Legal form of entity	UMNGENI LOCAL MUNICIPALITY
Mayoral committee	
Mayor	Mrs MP Myeni
Councillors	Cllr TP Mchunu Cllr SR Majozi Cllr PA Passmoor Cllr STJ Ndlovu Cllr MJ Gruenberg Cllr SK Pillay Cllr GT Dlamini Cllr SD Nkuna Cllr JE Holmes Cllr TG Nxele Cllr NN Mlotshwa Cllr BA Zuma Cllr Ndelela Cllr TA Duggan Cllr FT Cele Cllr CRW Millar Cllr NJ Lewis Cllr FG Mthembu Cllr JM Zondi Cllr LP Phikwane Cllr JA Mkhasibe Cllr SM Ndlovu
Grading of local authority	3
Acting Accounting Officer	Mr B Mpanza
Chief Financial Officer	Mr ZS Gwala
Registered office	Corner Dicks and Somme Streets Howick 3290
Postal address	P O Box 5 Howick 3290
Banker	ABSA Bank
Auditor	Auditor General

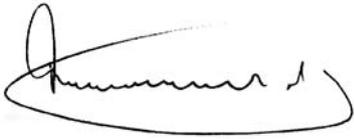
Annual Financial Statements

for the year ended 30 June 2016

Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on page 75 -128 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.



Mr B Mpanza
Acting Municipal Manager

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

for the year ended 30 June 2016

Accounting Officer's 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 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 are:

Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.

Two other committees have also being formed after Provincial Treasury provided support to help the Municipality recover from the cash flow challenges it faces. The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors.

Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by the conditional grants. There is also an action plan to further reduce expenditure and implement cost-cutting measures to aid financial recovery. Council still has to adopt the plan.

On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of Consumer loss Analysis programme (CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, and metered installations and correct the electricity billing cycle.

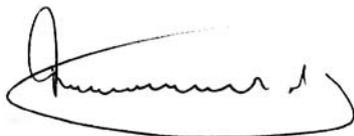
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 accounting officer 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 set out on page 7-60 which have been prepared on the going concern basis, were approved by the Acting Accounting Officer on 31 August 2016 and were signed on its behalf by:



Mr B Mpanza
Acting Municipal Manager

Statement of Financial Position

as at 30 June 2016

	Note(s)	2016 R	2015 R
Assets			
Current Assets			
Investments	8	33 038 278	38 548 450
Other receivables	9	3 069 381	2 774 926
Receivables from non-exchange transactions	11	10 238 479	8 269 258
VAT receivable	12	6 660 475	5 565 441
Consumer debtors	10	45 655 936	31 353 805
Cash and cash equivalents	13	6 796 232	8 103 231
		105 458 781	94 615 111
Non-Current Assets			
Investment property	3	5 056 987	5 323 419
Property, plant and equipment	4	765 379 284	788 876 392
Intangible assets	5	129 499	32 382
Heritage assets	6	5 392 615	5 392 615
		775 958 385	799 624 808
Total Assets		881 417 166	894 239 919
Liabilities			
Current Liabilities			
Annuity loans	16	3 386 736	3 279 327
Operating lease liability	10	340	12 065
Trade and other payables from exchange transactions	20	23 868 974	18 942 766
Consumer deposits	21	2 295 977	2 198 071
Employee benefit obligation	7	1 316 000	1 151 000
Unspent conditional grants and receipts	18	11 078 439	22 223 372
Finance lease obligation	17	965 458	971 769
		42 921 924	48 778 370
Non-Current Liabilities			
Annuity loans	16	26 235 723	29 022 019
Finance lease obligation	17	385 760	430 666
Employee benefit obligation	7	25 555 000	24 206 000
Provisions	19	30 094 097	24 742 481
		82 270 580	78 401 166
Total Liabilities		125 192 504	127 179 536
Net Assets		756 224 662	767 060 383
Net Assets			
Reserves			
Revaluation reserve	14	127 470 628	127 470 628
Housing Operating Account	15	15 108 143	15 108 143
Accumulated surplus		613 645 891	624 481 612
		756 224 662	767 060 383
Non-controlling interest		-	-
Total Net Assets		756 224 662	767 060 383

Statements of Financial Performance

for the year ended 30 June 2016

	Note(s)	2016 R	2015 R
Revenue			
Service charges	24	62 487 450	57 767 738
Rental of facilities and equipment		700 857	843 849
Licences and permits		3 206 426	2 655 121
Other income	26	3 703 142	4 900 844
Provisions for bad debt adjustment	-	4 764 421	
Interest revenue	32	5 348 636	4 396 054
Property rates	23	154 859 936	119 499 372
Property rates - penalties imposed and collection charges		7 343 344	6 596 240
Government grants and subsidies	25	71 131 777	102 976 662
Fines, Penalties and Forfeits		9 100 750	21 641 800
Total revenue		317 882 318	326 042 101
Expenditure			
Employee related costs	29	(87 436 519)	(83 397 332)
Remuneration of councillors	30	(7 236 967)	(6 119 393)
Depreciation and amortisation	33	(42 804 584)	(41 824 544)
Finance costs	34	(3 441 913)	(4 302 784)
Debt Impairment	31	(25 990 564)	(22 032 800)
Collection costs		(885 333)	(721 417)
Repairs and maintenance		(21 867 782)	(12 523 508)
Bulk purchases		(83 791 886)	(72 285 938)
Contracted services		(13 468 960)	(11 226 036)
Grant expenditure	28	(8 787 772)	(7 162 023)
General expenses	27	(44 691 842)	(37 898 536)
Total expenditure		(340 404 122)	(299 494 311)
Operating (deficit) surplus		(22 521 804)	26 547 790
(Deficit) surplus for the year		(22 521 804)	26 547 790

Statement of Changes in Net Assets

for the year ended 30 June 2016

	Revaluation reserve	Housing operating account	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Balance at 01 July 2014	127 470 628	15 108 143	142 578 771	597 933 822	740 512 593
Changes in net assets					
Deficit for the year restated	–	–	–	26 547 790	26 547 790
Total changes	–	–	–	26 547 790	26 547 790
Balance at 01 July 2015	127 470 628	15 108 143	142 578 771	624 481 613	767 060 384
Movement in Accumulated Surplus	–	–	–	11 686 082	11 686 082
Net income recognised directly in net assets	–	–	–	11 686 082	11 686 082
Deficit for the year	–	–	–	(22 521 804)	(22 521 804)
Total recognised income and expenses for the year	–	–	–	(10 835 722)	(10 835 722)
	–	–	–	(10 835 722)	(10 835 722)
Balance at 30 June 2016	127 470 628	15 108 143	142 578 771	613 645 891	756 224 662
Note(s)	14	15			

Cash Flow Statement

for the year ended 30 June 2016

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Sale of goods and services (rates and electricity)		214 437 101	201 370 293
Grants		71 131 777	102 976 662
Interest revenue		5 348 636	4 396 054
Other receipts		7 610 425	10 242 919
Fines		3 945 852	7 056 172
		302 473 791	326 042 100
Payments			
Employee costs		(94 673 486)	(89 516 725)
Suppliers		(190 870 849)	(167 340 573)
Finance costs		(3 441 913)	(3 642 564)
Taxes on surpluses		-	(705 397)
		(288 986 248)	(261 205 259)
Net cash flows from operating activities	38	13 487 543	64 836 841
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(18 912 582)	(54 135 192)
Purchase of other intangible assets	5	(128 455)	(43 549)
(Increase)/decrease in investments		5 510 172	(8 750 458)
		(13 530 865)	(62 929 199)
Cash flows from financing activities			
Decrease in borrowings		(2 678 887)	(2 559 664)
Movement in other liability 1		-	(33 453)
Movement in consumer deposits		97 906	(78 725)
Increase in finance lease liability		1 317 304	148 063
		(1 263 677)	(2 480 230)
Net increase/(decrease) in cash and cash equivalents		(1 306 999)	(572 588)
Cash and cash equivalents at the beginning of the year		8 103 231	8 675 819
Cash and cash equivalents at the end of the year	13	6 796 232	8 103 231

Statement of Comparison of Budget and Actual Amounts

for the year ended 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from

exchange transactions

Service charges- electricity	68 177 158	3 250 189	71 427 347	56 672 222	(14 755 125)	49.1
Service charges- refuse	5 232 882	(61 367)	5 171 515	5 815 228	643 713	
Rental of facilities and equipment	675 021	(1 998)	673 023	700 857	27 834	
Interest received (outstanding debtors)	1 838 496	-	1 838 496	1 714 903	(123 593)	
Licences and permits	2 425 491	800 999	3 226 490	3 206 426	(20 064)	
Other income	9 169 458	(1 572 362)	7 597 096	3 703 142	(3 893 954)	49.2
Interest received - investment	1 512 612	1 981 461	3 494 073	5 348 636	1 854 563	49.3

Total revenue from exchange transactions

89 031 118	4 396 922	93 428 040	77 161 414	(16 266 626)	
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Revenue from non- exchange transactions

Taxation revenue

Property rates	141 136 471	2 833 206	143 969 677	154 859 936	10 890 259	49.4
Property rates - penalties imposed	6 242 663	-	6 242 663	7 343 344	1 100 681	49.5

Transfer revenue

Government grants & subsidies	78 675 000	216 000	78 891 000	71 131 777	(7 759 223)	49.6
Transfers recognised - trading	30 371 635	(7 936 449)	22 435 186	9 100 750	(13 334 436)	49.7

Total revenue from non- exchange transactions

256 425 769	(4 887 243)	251 538 526	242 435 807	(9 102 719)	
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Total revenue

345 456 887	(490 321)	344 966 566	319 597 221	(25 369 345)	
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Expenditure

Personnel	(103 729 103)	11 905 580	(91 823 523)	(87 436 519)	4 387 004	49.8
Remuneration of councillors	(6 726 468)	(365 352)	(7 091 820)	(7 236 967)	(145 147)	
Depreciation and impairment	(11 232 365)	-	(11 232 365)	(42 804 584)	(31 572 219)	49.9
Finance costs	(4 759 799)	-	(4 759 799)	(3 441 913)	1 317 886	49.10
Bad debts written off	(21 461 953)	(638 000)	(22 099 953)	(25 990 564)	(3 890 611)	49.11
Collection costs	(695 427)	(190 999)	(886 426)	(885 333)	1 093	
Repairs and maintenance	(24 740 922)	(1 361 718)	(26 102 640)	(21 867 782)	4 234 858	49.12
Bulk purchases	(80 432 271)	(6 358 575)	(86 790 846)	(83 791 886)	2 998 960	49.13
Contracted Services	(10 249 430)	(3 367 965)	(13 617 395)	(13 468 960)	148 435	
Grant and subsidies	(7 110 000)	(5 000 000)	(12 110 000)	(8 697 332)	3 412 668	49.14
Sale of goods/Inventory	-	-	-	-	-	
General Expenses	(46 044 773)	109 991	(45 934 782)	(44 782 282)	1 152 500	49.15

Total expenditure

(317 182 511)	(5 267 038)	(322 449 549)	(340 404 122)	(17 954 573)	
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Deficit before taxation

28 274 376	(5 757 359)	22 517 017	(20 806 901)	(43 323 918)	
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**Actual amount on
comparable basis as
presented in the budget and
actual comparative statement**

Accounting Policies

for the year ended 30 June 2016

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 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 in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

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

1.2 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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of 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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies (continued)

for the year ended 30 June 2016

1.2 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	Depreciation method	Average useful life
Land		indefinite
Buildings	Straight line	30 years
Plant and machinery - Specialised	Straight line	10-15
Furniture and fixtures	Straight line	15
Motor vehicles (Specialised is 10 years, Other is 5 years)	Straight line	5 -10 years
Office equipment	Straight line	3 years
IT equipment	Straight line	5 years
Intangibles	Straight line	1-3 years
Plant and Machinery (Other)	Straight line	7-10 years
Infrastructure (Roads and Paving)	Straight line	30 years
Infrastructure - Pedestrian malls	Straight line	30 years
Infrastructure - Electricity	Straight line	20 - 30 years
Community Buildings	Straight line	30 years
Recreational Facilities	Straight line	20-30 years
Security	Straight line	5 years
Bins and containers	Straight line	5 years
Investment property	Straight line	30 years

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 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.

Accounting Policies (continued)

for the year ended 30 June 2016

1.3 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	1-3 years

1.4 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.5 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:

Accounting Policies (continued)

for the year ended 30 June 2016

1.5 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables and loans and receivables

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

Consumer debtors are expected to be realised within 12 months after the reporting date.

The impairment for trade and other receivable is calculated based using the ageing as follows : 30 days 15%, 90 days 30%, 120 days 35% and 150 days 55% based on historical loss ratios.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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 19 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norms. 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 appointed actuary 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 appointed actuary 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 7.

1.6 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
- administrative purposes, or
- sale in the ordinary course of operations.

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.

Accounting Policies (continued)

for the year ended 30 June 2016

1.6 Investment property (continued)

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land that is measured at revalued amount which is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies (continued)

for the year ended 30 June 2016

1.8 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 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.

1.10 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies (continued)

for the year ended 30 June 2016

1.10 Heritage assets (continued)

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 included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 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 2015-07-01 to 2016-06-30.

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.

Comparative information is not required.

1.12 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.13 Related parties

The municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Accounting Policies (continued)

for the year ended 30 June 2016

1.14 Financial instruments

Classification

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

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

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

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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, 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.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies (continued)

for the year ended 30 June 2016

1.14 Financial instruments (continued)

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the 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 loans and receivables.

Consumer debtors

Consumer debtors are initially recognised at fair value, and are subsequently measured at amortised cost.

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. Cash and cash equivalents are initially recorded at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

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

Long term loans

Long term loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies (continued)

for the year ended 30 June 2016

1.14 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.15 Work in progress

1.16 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 of 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.

The cost of items of property, plant and equipment that under construction as of the reporting date is recognised as an asset if:

- it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and
- the cost or fair value of the item(s) can be measured reliably.

Accounting Policies (continued)

for the year ended 30 June 2016

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprises direct labour, materials and overheads, if appropriate.

When assets under construction are completed and certificates of completion issued, they are transferred to the appropriate asset class.

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in the manner intended by management.

1.17 Impairment of cash-generating assets and non-cash generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 managed with the 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 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.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset

Accounting Policies (continued)

for the year ended 30 June 2016

1.17 Impairment of cash-generating assets and non-cash generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.19 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.

Accounting Policies (continued)

for the year ended 30 June 2016

1.19 Provisions and contingencies (continued)

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.

Provisions are not recognised for future operating Surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.20 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, volume rebates and value-added taxes (VAT).

Accounting Policies (continued)

for the year ended 30 June 2016

1.20 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 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 charges for electricity are based on consumption by consumers as is recorded on each consumer's meter.

Meters are read each month and the revenue is recognised in the period in which invoices are raised.

Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced.

Adjustments to provisional estimates and recognition of the amended revenue arising as a result, are made in the invoicing period in which meters are read.

Revenue from the sale of electricity prepaid meter cards is recognised immediately in revenue.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears.

Refuse charges are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected from agents has been quantified and the terms of the agency agreement have been complied with.

Interest

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

1.21 Revenue from non-exchange transactions

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue. at the fair value of the consideration received or receivable, net of trade discounts and volume rebates and value-added taxes (VAT).

Notes to the Annual Financial Statements

for the year ended 30 June 2016

1.21 Revenue from non-exchange transactions (continued)

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.

Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

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.

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 summonses. 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 summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

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 municipality. 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.

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

Other grants and donations

Other grants and donations 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.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Comparative figures

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

1.24 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.

1.25 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.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

2. New standards and interpretations

2.1 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 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets. Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

2. New standards and interpretations (continued)

- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

3. Investment property

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 122 000	(1 065 013)	5 056 987	6 122 000	(798 581)	5 323 419

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	5 323 419	(266 436)	5 056 987

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	5 523 051	(199 632)	5 323 419

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

Figures in Rand

4. Property, plant and equipment

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Impairment	Total
Land	125 248 081	-	-	-	(621 733)	124 626 348
Buildings	51 527 134	-	3 811 254	(3 515 003)	-	51 823 385
Machinery and equipment	862 864	927 499	-	(232 442)	-	1 557 921
Furniture and office equipment	1 573 124	1 130 898	-	(379 096)	-	2 324 926
Motor vehicles	5 414 015	771 699	-	(822 631)	-	5 363 083
Motor vehicles - leased	1 092 130	-	-	(535 081)	-	557 049
Computer equipment	1 310 574	571 620	-	(398 076)	-	1 484 118
Electricity	51 778 930	-	-	(2 779 595)	-	48 999 335
Assets under construction	52 727 936	15 607 983	(6 573 277)	-	-	61 762 642
Roads and Storm water network	497 341 604	-	2 762 023	(33 223 150)	-	466 880 477
	788 876 392	19 009 699	-	(41 885 074)	(621 733)	765 379 284

Reconciliation of property, plant and equipment - 2015

	Opening balance restated	Additions restated	Transfers	Other changes, movements	Depreciation restated	Impairment loss	Total
Land	125 869 815	-	-	-	-	(621 733)	125 248 082
Buildings	55 008 254	-	-	-	(3 481 120)	-	51 527 134
Machinery and equipment	907 826	271 415	-	-	(316 378)	-	862 863
Furniture and office equipment	1 029 606	166 405	-	830 556	(453 443)	-	1 573 124
Motor vehicles	5 524 055	878 080	-	-	(988 120)	-	5 414 015
Motor vehicles - leased	2 267 114	-	-	-	(1 174 984)	-	1 092 130
Computer equipment	1 066 349	644 743	-	30 659	(431 176)	-	1 310 575
Electrical	54 672 816	-	-	-	(2 893 887)	-	51 778 929
Assets under construction	34 050 665	52 174 549	(33 497 278)	-	-	-	52 727 936
Roads and storm water network	494 997 985	-	33 497 278	-	(31 153 659)	-	497 341 604
	775 394 485	54 135 192	-	861 215	(40 892 767)	(621 733)	788 876 392

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R

4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2 907 516	1 371 096
IT equipment	1 092 130	1 092 130
	3 999 646	2 463 226

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	172 006	(42 507)	129 499	43 549	(11 167)	32 382

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	32 384 1	28 455	(31 340)	129 499

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Other changes movements	Amortisation	Total
Computer software	135	102 43 549	(24 687)	(121 580)	32 384

6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost/ Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2 462 016	-	2 462 016	2 462 016	-	2 462 016
Mayoral Chains	60 000	-	60 000	60 000	-	60 000
Museums	2 870 599	-	2 870 599	2 870 599	-	2 870 599
Total	5 392 615	-	5 392 615	5 392 615	-	5 392 615

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	2 462 016	2 462 016
Mayoral Chains	60 000	60 000
Museum	2 870 599	2 870 599
	5 392 615	5 392 615

Reconciliation of heritage assets 2015

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
6. Heritage assets (continued)		
	Opening balance	Total
Historical monuments	2 462 016	2 462 016
Mayoral Chains	60 000	60 000
Museums	2 870 599	2 870 599
	5 392 615 5	392 615

7. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The post-retirement medical aid subsidy for qualifying employees is 60% of the applicable medical aid. The post-retirement medical aid for qualifying pensioners is 60% or 67% of the total monthly contribution to the applicable medical aid. Widow(er)s and orphans of eligible in-service members are not entitled to receive a subsidy on and after the death in-service of an employee.

The most recent actuarial valuation was performed on 30 June 2016 by ZAQEN Actuaries (Pty) Ltd (trading as ZAQ Consultants and Actuaries) using the Projected Unit Credit Funding Method.

The full liability has been recognised as at the date of the statement of financial position. The liability as at the reporting date is R21 586 000

Long service award

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service. The most recent actuarial valuation was performed on 30 June 2016 by ZAQEN Actuaries (Pty) Ltd (trading as ZAQ Consultants and Actuaries) using the Projected Unit Credit Method.

The full liability has been recognised as at the date of the statement of financial position. The liability as at the reporting date is R5 285 000

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(25 357 000)	(22 944 000)
Present value of the defined benefit obligation-partly or wholly funded	(1 457 000)	(1 317 000)
Fair value of reimbursement rights	(2 330 000)	(2 020 000)
Benefit payments	1 111 000	(328 000)
Benefit payment	1 162 000	1 252 000
Asset not recognised	-	-
	(26 871 000)	(25 357 000)
Non-current liabilities	(25 555 000)	(24 206 000)
Current liabilities	(1 316 000)	(1 151 000)
	(26 871 000)	(25 357 000)

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1 457 000	1 317 000
Interest Cost	2 330 000	2 020 000
Actual Gain and Loss	1 162 000	328 000
	4 949 000	3 665 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,94 %	8,94 %
Expected rate of return on assets	8,05 %	8,05 %
Expected increase in salaries	0,82 %	0,82 %
Expected pension increases	7,05 %	7,05 %

Defined contribution plan

Post retirement pension plan- Natal Joint Municipal Pension Fund

The Municipality's personnel are members of one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the Municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2016 interim valuations have not yet been released.

8. Investments

Unlisted investments

Collateral security fixed deposits - Rand Merchant Bank	1 435 356	1 340 941
Notice deposits - Absa Bank	11 160 436	10 304 930
Fixed Deposit - Absa	149 567	5 069 467
Fixed Deposit - FNB	1 581 526	1 470 896
Call Account - FNB	7 141 686	-
Notice Deposit - Investec	11 569 706	20 362 216
	33 038 277	38 548 450

Average rate of return on investments	6%	6%
Investments pledged as collateral security for loans	1 435 356	1 340 941

9. Other receivables

Interest receivable	11 321	11 321
Other receivables	3 058 060	2 763 605
	3 069 381	2 774 926

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
10. Consumer Debtors		
Consumer debtors	81 745 572	58 927 542
Less: Provision for bad debts	(36 089 636)	(27 573 737)
	45 655 936	31 353 805
11. Receivables from non-exchange transactions		
Debtors- traffic fines (net)	10 238 479	8 269 258
Reconciliation of receivables from non-exchange transactions		
Opening balance	8 269 258	3 821 177
Debtors - traffic fines	6 017 723	15 327 748
Debt impairment	(4 048 502)	(10 879 667)
	10 238 479	8 269 258
<p>The Municipality has two traffic fine billing systems. TMT (outsourced serviced provider) is responsible for the system used to issue fines for speed traffic offenders along the N3 toll road within the municipal boundary. TRAFMAN is a system used by the municipality to issue fines for other traffic offences. Both TMT and the municipality work closely with the magistrates court to ensure that accurate recording of the status of fines (including the statuses of summons, appeals, fine reductions etc). Monies collected by the Magistrate are transferred to the municipality's bank account.</p>		
12. VAT receivable		
VAT	6 660 475	5 565 441
13. Cash and cash equivalents		
Cash and cash equivalents consist of: Absa bank limited - 4063796636 :		
Bank statement balance at year end (primary) R 7 362 164.		
Cash on hand	2 210	2 210
Bank balances	6 794 022	8 101 021
	6 796 232	8 103 231
<p>The Municipality has the following bank accounts:</p>		
Current accounts		
Absa Bank Limited - Account No. 4063796636: Bank statement balance at year end (Primary account)	7 362 164	6 880 943
Absa Bank Limited - Account No: 9264784869	262 141	636 675
14. Revaluation reserve		
Opening balance	127 470 628	127 470 628
<p>The revaluation reserve has resulted from the revaluation of property, plant and equipment.</p>		
15. Housing Operating Account		
Opening Balance	15 108 143	(235 834)
Loans extinguished by Government on 1 April 1998	-	15 343 977
	15 108 143	15 108 143

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
16. Annuity loans		
Designated at fair value		
External Loan - DBSA Account number - 610032966	921 512	7 399 521
External Loan - DBSA Account number - 61000591	1 798 412	2 049 468
External Loan - DBSA Account number - 61000576	12 902 535	13 519 021
External Loan - ABSA Account number - 302200978	7 999 999	9 333 333
	29 622 458	32 301 343
<p>The loans attract interest at rates between 5% to 12.62% per annum and are being redeemed in monthly and quarterly instalments.</p> <p>The annuity loans were acquired for the construction of infrastructure. Construction was completed in 2009 and the municipality is currently redeeming the amount borrowed.</p>		
Non-current liabilities		
At amortised cost	26 235 723	29 022 019
Current liabilities		
At amortised cost	3 386 736	3 279 327
17. Finance lease obligation		
Minimum lease payments due		
- Within one year	1 110 938	1 049 410
- In second to fifth year inclusive	406 640	451 155
- later than five years	(166 367)	(98 128)
Present value of minimum lease payments	1 351 211	1 402 437
Present value of minimum lease payments due		
- Within one year	965 458	971 767
- In second to fifth year inclusive	385 760	430 670
	1 351 218	1 402 437
Non-current liabilities	385 760	430 666
Current liabilities	965 458	971 769
	1 351 218	1 402 435

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 4-5 years.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

In the prior year the finance lease liability was disclosed under other financial liabilities, it has been reclassified in the current year.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Data cleansing grant	–	24 851
Expanded Public Works Programme grant	–	28 429
Provincial - Cedara College/ Khanya Village Road	536 449	1 256 245
Mandela capture site phase 2	10 058 933	19 926 867
MAP Synergistic Partnership	347 941	354 489
Cleanest town award	–	755
Integrated National Electricity Programme Grant	1	6 616
Museum Grant	–	490 005
Massification grant	135 115	135 115
	11 078 439	22 223 372
Movement during the year		
Balance at the beginning of the year	22 223 372	17 831 033
Movement during the year	(11 144 933)	4 392 339
	11 078 439	22 223 372

See note 25 for reconciliation of grants from other spheres of government.

19. Provisions

Reconciliation of provisions - 2016

	Opening balance	Interest wind down	Closing Balance
Environmental rehabilitation	18 116 688	4 413 659	22 530 347
Provision for leave	6 625 793	937 957	7 563 750
	24 742 481	5 351 616	30 094 097

Reconciliation of provisions - 2015

	Opening balance	Utilised during the year	Closing balance
Environmental rehabilitation	16 556 056	1 560 632	18 116 688
Provision for leave	6 139 909	485 884	6 625 793
	22 695 965	2 046 516	24 742 481

The landfill site provision is raised for the rehabilitation of the refuse disposal site to its original state once the site has reached the end of its useful life.

20. Trade and other payables from exchange transactions

Trade payables	–	973 412
Unclaimed deposits	1 702 453	1 702 965
Accruals	11 887 206	6 897 903
Deposits received	4 727 010	3 369 493
Retentions	1 968 446	2 216 049
Other sundry creditors: District municipality	1 093 082	1 093 082
Accrued expense - DBSA accrude interest	598 615	598 615
Sundry creditors	1 892 162	2 091 247
	23 868 974	18 942 766

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
20. Trade and other payables from exchange transactions (continued)		
The fair value of trade and other payables approximate their carrying amount.		
21. Consumer deposits		
Electricity	2 295 977	2 198 071
22. Revenue		
Service charges	62 487 450	57 767 738
Rental of facilities and equipment	700 857	843 849
Licences and permits	3 206 426	2 655 121
Provision for bad debts adjust	-	4 764 421
Property rates	154 859 936	119 499 372
Property rates - Penalties imposed and collection charges	7 343 344	6 596 240
Government grants & subsidies	71 131 777	102 976 662
Fines, Penalties and Forfeits	9 100 750	21 641 800
	308 830 540	316 745 203
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	62 487 450	57 767 738
Rental of facilities and equipment	700 857	843 849
Licences and permits	3 206 426	2 655 121
Provision for bad debts adjust	-	4 764 421
	66 394 733	66 031 129
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	154 859 936	119 499 372
Property rates - Penalties imposed and collection charges	7 343 344	6 596 240
Transfer revenue		
Government grants and subsidies	71 131 777	102 976 662
Fines, Penalties and Forfeits	9 100 750	21 641 800
	242 435 807	250 714 074

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
23. Property rates		
Rates received		
Residential	123 650 744	78 396 576
Commercial	34 447 749	23 079 519
Small holdings and farms	32 177 796	32 080 005
Education and state	8 718 169	17 372 302
Private open space	2 037 546	4 183 637
Less: Income forgone rebates	(46 172 068)	(35 612 667)
Income received	154 859 936	119 499 372
Property rates - Penalties imposed and collection charges	7 343 344	6 596 240
	162 203 280	126 095 612
Valuations		
Residential	15 521 867 500	10 364 971 510
Commercial	4 036 598 000	3 104 237 000
Education and State	1 094 391 000	2 336 606 000
Municipal	283 181 325	228 342 400
Agriculture	4 039 276 000	4 267 622 056
Private open space	255 773 000	556 551 700
State	287 625 000	17 365 000
	25 518 711 825	20 875 695 666

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2015 (31 July 2014). Interest at 1% per annum except february which 10% (2015.1% is levied on rate outstanding one month after due date.

A basic rate of randage is applied to the valuations of all types of properties, the amount is 1.27 cents in the Rand (2015: 1.45cents).

Rebates

Agriculture - additional	82.50%	82.5%
Bona fide farmers	0%	0%
Residential (The first R100,000 is exempt in terms of the rates policy)	30%	30%
Pensioners (Qualifying on with income up to R9,000 on a sliding scale)	30%	30%
State	30%	30%

24. Service charges

Sale of electricity	56 672 222	52 718 366
Refuse removal	5 815 228	5 049 372
	62 487 450	57 767 738

The estimated distribution loss of R43 570 105 (2015: R 32 152 873) is noted.

The contractor has finalised the project to identify losses and the recommendation is to undertake a full audit of all electrical installations within the area of supply. There is currently no funding available to begin this process.

The Municipality is applying its Credit Control and Debt Collection Policy and By-Laws in an effort to reduce losses, however the losses are of a technical nature and the Municipality is busy investigating strategies to further reduce the losses.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
25. Government grants and subsidies		
Operating grants		
Equitable share	44 316 000	40 228 505
Integrated National Electricity	1 715 285	418 489
Municipal systems improvement grant	930 000	1 315 392
Finance Management Grant	1 600 000	1 977 407
MAP Synergistic Partnership	6 548	3 700
Cleanest town award	755	168 000
Museum Grant	656 005	160 995
Library staffing costs	2 976 000	2 752 000
Expanded public works grant	1 466 429	971 571
Data cleansing grant	24 851	150 024
	53 691 873	48 146 083
Capital grants		
Municipal Infrastructure Grant	6 852 176	21 415 000
Masification	-	447 885
Cidara College- Kanya Village	719 795	655 576
Mandela capture site- phase 2	9 867 974	32 312 118
	17 439 945	54 830 579
	71 131 818	102 976 662
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
	44 316 000	37 208 000
Municipal Systems Improvement Grant		
	-	381 391
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(1 315 391)
	-	-
Finance Management Grant		
Balance unspent at beginning of year	-	377 407
Current year receipts	1 600 000	1 600 000
Conditions met - transferred to revenue	(1 600 000)	(1 977 407)
	-	-
Municipal Infrastructure Grant		
Current year receipts	13 249 000	21 415 000
Unapproved roll over	(6 396 825)	-
Conditions met - transferred to revenue	(6 852 175)	(21 415 000)
	-	-

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
25. Government grants and subsidies (continued)		
Mandela Capture Site - Phase 2		
Balance unspent at beginning of year	19 926 867	12 537 985
Current-year receipts	-	39 701 000
Conditions met - transferred to revenue	(9 867 934)	(32 312 118)
	10 058 933	19 926 867
MAP Synergistic Partnership		
Balance unspent at beginning of year	354 489	358 189
Current year receipts	-	-
Conditions met - transferred to revenue	(6 548)	(3 700)
	347 941	354 489
Cleanest Town Award		
Balance unspent at beginning of year	755	168 755
Current year receipts	-	-
Conditions met - transferred to revenue	(755)	(168 000)
	-	755

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
25. Government grants and subsidies (continued)		
Provincial - Cedara College/Khanya Village Road		
Balance unspent at beginning of year	1 256 245	1 911 821
Current year receipts	-	-
Conditions met - transferred to revenue	(719 796)	(655 576)
	536 449	1 256 245
Integrated National Electricity Programme Grant		
Balance unspent at beginning of year	6 616	425 105
Current year receipts	5 000 000	-
Conditions met - transferred to revenue	(1 715 285)	(418 489)
Unapproved Roll-over	(3 291 331)	-
	-	6 616
Museum Howick		
Balance unspent at beginning of year	490 005	500 000
Current year receipts	166 000	151 000
Conditions met - transferred to revenue	(166 000)	(160 995)
	490 005	490 005
Data Cleansing		
Balance unspent at beginning of year	24 851	174 875
Current year receipts	24 851	-
Conditions met - transferred to revenue	(24 851)	(150 024)
	24 851	24 851
Expanded Public Works Program		
Balance unspent at beginning of year	28 429	995 505
Current year receipts	1 438 000	1 000 000
Conditions met - transferred to revenue	(1 466 429)	(971 571)
Other	-	(995 505)
	-	28 429

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
25. Government grants and subsidies (continued)		
Libraries		
Current year receipts	2 976 000	2 752 000
Conditions met - transferred to revenue	(2 976 000)	(2 752 000)
	-	-
Massification		
Balance unspent at beginning of year	135 115	-
Current year receipts	-	583 000
Conditions met - transferred to revenue	-	(447 885)
	135 115	135 115
26. Other income		
Shared services model	434 919	571 864
Building plan fees and drainage fees	1 532 940	2 037 085
Reconnection fee	155 190	587 811
Valuation fee	14 556	196 658
Hall hire	194 580	219 577
Burial fees	48 176	32 727
Advertising	255 666	198 679
Connection income	379 273	174 556
LGSETA receipts	35 899	89 178
Insurance claim received	-	148 059
Sundry income	357 086	307 874
Subdivision income	30 175	97 347
Rates certificate income	264 682	239 429
	3 703 142	4 900 844

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
27. General expenses		
Advertising	548 808	497 046
Auditor's remuneration	1 228 994	1 130 041
Bank Charges	720 124	683 716
Consulting and professional fees	6 380 314	7 751 515
Consumables	11 520	16 416
Contribution to landfill site provision	4 413 659	1 560 632
Veterinary department	799 671	783 901
Contribution to fire fighting services	398 410	263 186
Commission paid	1 410 826	2 556 672
Computer expenses	1 000 907	405 890
Community development and training	1 381 837	603 564
Discount allowed- traffic fines	23 000	-
Entertainment	8 000	126 842
Electricity	5 184 645	4 512 655
	1 965 041	-
Lease rentals on operating lease	5 253 685	2 926 172
Hygiene services	195 580	187 250
Insurance	442 042	460 484
IDP expenditure	276 902	684
IDP expenditure	2 473 276	2 103 653
IT expenses	374 285	343 639
Material and small tools	80 557	95 396
Magazines, books and periodicals	15 956	41 439
Medical expenses	5 970	9 027
Medical aid retired staff	684 286	651 787
Motor vehicle expenses	247 225	436 816
Postage and courier	1 104 516	1 125 574
Printing and stationery	415 952	543 773
Refuse	43 758	24 153
SARS penalties	1 379 230	-
Sewerage and waste disposal	48 889	38 428
Subscriptions and membership fees	389 761	1 669 461
Telephone and fax	1 464 306	1 376 590
Training	458 335	1 024 346
Transfer of RDP houses to beneficiaries	839 091	-
Uniforms	57 157	267 254
Valuation expenses	2 513 133	3 237 767
Water	452 194	442 767
	44 691 842	37 898 536

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
28. Grant operating expenditure		
Cleanest town award	662	168 000
Library computer assistant Howick west	31 399	-
Finance management grant	1 753 010	2 229 407
Municipal systems improvement	901 413	1 091 826
Library staffing costs	3 215 705	2 659 495
Intergrated Electrification Project	1 504 636	4 974
Expanded public works programme	1 380 947	834 867
	8 787 772	6 988 569
29. Employee related costs		
Basic	51 085 234	49 341 091
Bonus	3 884 004	3 695 393
Medical aid - company contributions	4 197 756	3 742 069
UIF	463 182	451 203
WCA	543 587	597 201
SDL	767 694	728 100
Leave pay provision charge	2 938 879	2 375 551
Post-employment benefits - Medical aid and long service	1 533 500	2 421 750
Defined contribution plans	10 605 564	9 913 599
Overtime payments	5 586 852	5 562 675
Car allowance	3 774 360	2 963 770
Housing benefits and allowances	609 865	247 805
Cellphone allowance	311 250	314 158
Standby allowance	113 588	113 340
Subsistence and Travelling	1 021 204	929 627
	87 436 519	83 397 332
Remuneration of Municipal Manager		
Annual remuneration	1 004 371	-
Cellphone allowance	19 605	-
Re-imbursive Travel	1 642	-
	1 025 618	-
Remuneration of Chief Financial Officer		
Annual remuneration	790 639	423 072
Travel allowance	268 122	90 000
Acting allowance	-	196 206
Cell phone allowance	18 000	15 000
Re-imburement	15 757	15 273
	1 092 518	739 551
Remuneration of General Manager Technical Services		
Annual remuneration	812 180	774 733
Travel allowance	190 500	180 000
Cellphone Allowance	18 000	18 000
Re-imbursive traveling	117 246	85 091
	1 137 926	1 057 824

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
29. Employee related costs (continued)		
Remuneration of General Manager Community Services		
Annual remuneration	812 150	451 911
Travel allowance	190 530	105 017
Cell phone allowance	18 000	10 500
Re-imbursive travel	34 314	–
	1 054 994	567 428
Remuneration of General Manager Planning and Development		
Annual remuneration	818 500	780 705
Travel allowance	184 180	174 029
Acting allowance	118 339	–
Cellphone allowance	18 000	18 000
Re-imbursive travel	3 010	–
	1 142 029	972 734
GM Planning and Development also received an acting allowance in the current financial during, for the period in which he acted as the Municipal Manager.		
Remuneration of General Manager Corporate Services		
Annual remuneration	812 150	774 705
Travel allowance	190 530	180 029
Acting allowance	–	34 720
Cellphone allowance	18 000	18 000
Re-imbursive Travelling	104 668	48 686
	1 125 348	1 056 140
All general managers received samsung tablets of which is not included in the above packages		
30. Remuneration of councillors		
Mayor's allowance	778 878	739 361
Deputy Mayor allowance	614 843	333 147
Executive Committee allowance	576 000	312 995
Speaker	613 307	332 754
Councillors allowance	4 653 939	4 401 136
	7 236 967	6 119 393
Management have considered the effects of any impairment in the values of outstanding debtors and the value of the provision for bad debts.		
The provision is adequate to account for any material losses expected to arise from any adjustment that are required to be made to the outstanding balance.		
Gross amounts		
Rates	61 987 704	35 642 106
Electricity	15 871 509	17 556 595
Refuse	2 257 729	2 441 691
Legal costs	15 646	33 554

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
Housing rental	432 824	519 525
Sundry debtors	1 180 159	2 734 073
	81 745 571	58 927 544
Less: Provision for bad debts		
Rates	31 113 935	18 540 593
Electricity	3 449 748	6 419 574
Rental	767 461	228 692
Refuse	143 721	944 113
Sundry debtors	606 166	1 422 312
Legal	8 605	18 454
	36 089 636	27 573 738
Net balance		
Rates	30 873 769	17 101 513
Electricity	12 421 761	11 137 021
Rentals	289 102	290 833
Refuse	1 490 268	1 497 578
Legal costs	7 041	15 099
Sundry debtors	573 994	1 311 761
	45 655 935	31 353 805
Age analysis		
Rates		
Current (0 to 30 days)	–	3 233 394
31 to 60 days	4 224 992	3 918 783
61 to 90 days	11 661 759	1 548 709
91 to 120 days	3 302 168	3 428 193
121 to 150 days	–	2 376 252
151 days and over	51 589 129	21 136 774
	70 778 048	35 642 105
Electricity		
Current (0 to 30 days)	4 868 786	4 196 067
31 to 60 days	1 527 666	1 275 703
61 to 90 days	3 938 642	402 959
91 to 120 days	744 306	257 117
21 days to 150 days	–	10 779
151 days and over	4 792 109	11 403 969
	15 871 509	17 546 594
Refuse		
Current (0 to 30 days)	495 092	453 152
31 to 60 days	218 214	165 504
61 to 90 days	152 568	96 831
91 days to 120 days	83 776	79 297
151 days and over	1 308 079	3
	2 257 729	794 787
Sundries		
Current (0 to 30 days)	12 755	29 362
31 to 60 days	3 114	57 663
61 to 90 days	83 771	52 224
91 to 120 days	2 743	50 699

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
151 days and over	1 077 776	2 544 124
	1 180 159	2 734 072
Legal costs		
151 days and over	15 646	33 554
Housing		
Current (0 to 30 days)	53 914	51 187
31 to 60 days	46 936	32 516
61 to 90 days	81 948	17 983
91 to 120 days	24 342	9 867
121 to 150 days	-	9 000
151 days and over	225 684	398 971
	432 824	519 524
Reconciliation of doubtful debt provision		
Opening balance	27 573 737	32 338 159
Contribution made during the year	8 515 899	(4 764 421)
	36 089 636	27 573 738
Indigent customers		
<p>The indigent debtors receive 100kwh of free electricity per month provided that they have a prepaid meter installed in their home. Properties with a valuation up to a maximum of R200,000, are also exempt from paying refuse charges.</p>		
Consumer debtors impaired		
<p>As of 30 June 2016, consumer debtors of R 36 089 636 ,(2015: R 27 573 737) were impaired and provided for.</p>		
The aging of these debtors is as follows:		
3-6 months	36 089 636	27 573 737
<p>The municipality profiled all debtors according to their risk profile. This risk profile was then used to calculate the doubtful debt provision.</p>		
31. Bad debts		
Debt impairment- traffic fines	4 048 502	10 876 667
Debts written off- consumer debtors	21 942 062	11 156 133
	25 990 564	22 032 800
32. Interest revenue		
Interest revenue		
Other financial assets	3 633 733	2 740 781
Interest charged on trade and other receivables	1 714 903	1 655 273
	5 348 636	4 396 054

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
33. Depreciation and amortisation		
Property, plant and equipment	–	–
Investment property	266 436	199 632
Biological assets	–	–
Intangible assets	31 340	110 412
Property, plant and equipment (Refer note 3)	42 506 808	41 514 501
	42 804 584	41 824 545
34. Finance costs		
Non-current borrowings	3 221 198	3 987 539
Finance leases	175 140	306 454
Interest on overdue accounts	45 575	8 791
	3 441 913	4 302 784
35. Auditors' remuneration		
Fees	1 228 994	1 130 041
36. Bulk purchases		
Electricity purchases	83 791 886	72 285 938
37. Operating lease		
Describe the lessee's significant leasing arrangements which include:		
<ul style="list-style-type: none"> • basis on which contingent rent payable is determined. • the existence and terms of renewal or purchases options and escalation clauses; and • restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing. 		
38. Cash generated from operations		
(Deficit) surplus	(22 521 804)	26 547 790
Adjustments for:		
Depreciation and amortisation	42 804 584	41 824 544
Finance costs - Finance leases	–	428 051
Increase in contribution to bad debt provision	25 990 564	22 032 800
Movements in operating lease assets and accruals	–	(7 991)
Movements in retirement benefit assets and liabilities	(398 217)	2 413 000
Movements in provisions	4 413 659	2 046 516
Movement in tax receivable and payable	–	(705 397)
Transfer of RDP houses to beneficiaries	–	–
Changes in working capital:		
Other receivables	(294 455)	(277 650)
Consumer debtors	(10 842 396)	(15 697 135)
Other receivables from non-exchange transactions	(18 350 633)	(15 324 748)
Trade and other payables from exchange transactions	4 926 208	(5 356 935)
VAT receivable	(1 095 034)	2 521 657
Unspent conditional grants and receipts	(11 144 933)	4 392 339
	13 487 543	64 836 841

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
39. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Mandela capture site	2 065 289	17 924 774
• Mpophomeni sportfield & Lidgeton Sportsfield	2 900 093	784 246
• Siphumelele Road	–	1 409 450
• Roads and Stormwater (Ward 10)	1 435 139	–
• Roads and Stormwater (Ward 11)	2 488 509	–
• Roads Rehabilitation	3 362 697	–
• Cedara khanya village	–	778 247
• Midlands Road and stormwater	3 883 548	–
• Mpophomeni Roads and Rehabilitation (Ward 09)	1 346 765	–
• Mpophomeni Hall	3 271 484	–
• Khayelisha Road	–	2 263 992
	20 753 524	23 160 709
Approved but not yet contracted for		
• Siphumelele	–	1 000 000
• Emandleni	500 000	1 000 000
• Lidgetton west sportfield	2 500 000	2 000 000
• Khayelisha roads	–	4 000 000
• Mpophomeni Sportsfield	–	1 500 000
• Mpophomeni Road Rehabilitation	12 000 000	9 749 000
• Lions river	–	1 000 000
• Other financial assets	6 866 000	7 000 000
	21 866 000	27 249 000
Total capital commitments		
Already contracted for but not provided for	20 753 524	–
Not yet contracted for and authorised by accounting officer	21 866 000	27 249 000
	42 619 524	27 249 000
<p>This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.</p>		
Operating expenditure		
The Municipality entered into agreements with various suppliers	19 772 598	12 454 364
<p>The municipality has entered into a contract with suppliers for the provision of debt collection services, printing of statements, maintenance of the valuation roll, maintenance of the credit control system, cleaning services and security services. The total amount of these commitments are as follows.</p>		
Operating leases - as lessee (expense)		
Minimum lease payments due		
– Within one year	156 000	113 273
– In second to fifth year inclusive	179 405	110 676
	335 405	223 949
Operating leases consist of the following:		

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
39. Commitments (continued)		
<p>Operating lease payments represent rentals payable by the municipality for certain office properties (Taxi rank and White House) and equipment. Leases are negotiated for 3 years for the rental of the taxi rank and printers, and the lease periods for the White House is five years. No contingent rent is payable.</p> <p>The municipality also leases land used for conservation purposes, the lease term for this land is 99 years. No escalation rate is applicable for the lease term.</p>		
40. Contingencies		
<p>Informal dwellers have lodged a claim for their eviction from Transnet property. The informal dwellers have requested that the municipality provide alternative accommodation. Value of this claim is undetermined.</p> <p>Telkom has lodged s claim against the municipality for damages to Telkom telephone lines caused by a municipal tractor. The value of this claim could not be determined.</p> <p>Mafuladi Dlamini and others have lodged a claim for their eviction from the Tumbleweed farm.</p>		
Cow Catchers	–	146 000
SJ Dlamini	–	250 000
Cheryl Marian Mostert	20 000	20 000
Flat 7 Allermans Coart	15 000	15 000
Nkanyiso Sphehile	–	50 000
Jaques Due Buisson	–	22 000
Telkom SA Limited	41 902	43 000
N Amod	–	40 000
B Hlubi	3 190 000	3 190 000
Erf 3677 - Howick	60 000	–
Erf 2667 - Mpophomeni	10 000	–
Farm Highgate	50 000	–
Mohlo J Zuma	50 000	–
Erf 2356 - Howick West	50 000	–
Erf 110 - 150 Mpophomeni B	50 000	–
Epwp Workers	300 000	–
J Osthuizen	20 000	–
	3 856 902	3 776 000

C Mostet vs uMngeni Municipality claim for damages - pothole, Flat 7 Allemans Court vs uMngeni Municipality eviction matter, Telkom SA vs uMngeni Municipality claim for damages, B Hlubi vs uMngeni Municipality damages action against the municipality, erf 3677 Howick vs uMngeni Municipality sought legal advise against consultant company which failed to install services at a developer site.

Erf2667 Mpophomeni vs uMngeni Municipality instituted legal proceedings to evict illegal occupiers on municipal land, Farm Highgate vs uMngeni Municipality opinion and appeal, uMngeni Municipality vs Mohlo J Zuma instituted legal proceedings to order the removal of an encroaching structure on the municipal land, uMngeni Municipality vs erf 2356-Howick instituted the legal proceeding to evict illegal occupiers in a building that is to be used by a councillor.

Erf 110 to erf150, Mpophomeni B A possible PIE application to evict illegal occupiers of uMngeni land

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016 R	2015 R
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41. 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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial instruments - 2016	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	23 868 974	–	–	23 868 974
Finance leases	965 458	385 760	–	1 351 218
Annuity loans	3 386 736	12 453 939	13 781 784	29 622 459
	28 221 168	12 839 699	13 781 784	54 842 651
Financial Instruments - 2015	Within 1 year	Between 1 - 5 years	More than 5 years	Total
Trade and other payables from exchange transactions	18 942 766	–	–	18 942 766
Finance leases	971 769	430 666	–	1 402 435
Annuity loans	3 279 327	11 687 943	17 334 075	32 301 345
	23 193 862	12 118 609	17 334 075	52 646 546

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 municipality limits its exposure to interest rate fluctuations by only dealing with well-established institutions and opting where possible for fixed interest rates rather than variable rates.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

These financial asset balances represent the maximum exposure to credit risk.

Financial instrument

Cash and cash equivalents	6 796 232	8 103 231
Investments	33 038 278	38 548 450
Consumer Debtors	45 655 936	31 258 293
	85 490 446	77 909 974

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R

42. Going concern

At 30 June 2016, the municipality had an accumulated Surplus of R613 645 891 and that the municipality's total assets exceed its liabilities by R 756 224 662.

It is also noted that municipality's unspent conditional grants liabilities are fully cash backed. The unspent grants liability amounts to R11 078 439 and the municipality has investment to the value R33 038 278 and cash and cash equivalents to the amount R6 796 232.

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 are:

- Bi weekly meetings in the form of the Interim Finance Committee, to plan and approve only essential expenditure for the forthcoming weeks and to ensure that the unspent conditional grants are moving to a position of being cash backed.
- The Credit control and Valuation sub-committees meet monthly to tackle revenue enhancement issues by addressing the issue of outstanding debtors and valuation queries respectively. These committees have already achieved success by requesting all stakeholders involved in revenue enhancement to account monthly and provide direction on how to maximise revenue and reduce the outstanding debtors. A panel of attorneys have been appointed to assist with debt collection of debtors exceeding 90 days.
- Council and the Interim Finance committee is committed to turning the situation around and has frozen all vacant posts in order to curb expenditure, except critical posts or those funded by conditional grants.
- On the technical side, excess electricity losses have been identified and corrective action is being taken to remedy the situation by the Development of the Consumer Loss Analysis programme (CLA). This programme was specifically written to identify the electricity losses due to technical issues, theft of electricity, illegal connections, metered installations and correct the electricity billing cycle.

43. Events after the reporting date

During October 2016 the municipality received a letter from the National Treasury declining the application for roll over of unspent grants for Municipal Infrastructural Grant and Integrated National Electrification Programme, in terms of section 22(2) of the 2015 Division of Revenue Act

44. Unauthorised expenditure

Other Expenditure - Landfill site	4 413 659	1 560 632
Depreciation and amortisation	31 572 219	31 149 284
Construction of Mpophomeni Nodal Development Road P390	-	4 271 089
Mpophomeni Roads and Rehab: upgrading Roads in Mpophomeni	-	983 935
Debt impairment	3 890 611	1 747 400
	39 876 489	39 712 340

The expenditure above has been identified as unauthorised expenditure, however included in the above unauthorised amount is the depreciation and debt impairment amounts which are non-cash items.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
45. Fruitless and wasteful expenditure		
Balance brought forward	825 024	825 024
Interest and penalty on late payment of VAT	–	1 319 266
Interest on late payment of Eskom	19 728	6 965
Interest on late payment of other suppliers	25 847	1 826
Amounts condoned by Council	(45 575)	(1 328 057)
	825 024	825 024

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Suppliers in service of the state

The municipality procured credit control software from Tevtal Technology cc. The member of this entity has disclosed that his spouse is in the service of the state.

The municipality procured Concrete T piece signs for street signs from Rosedale precast fencing. The member of this entity is in the employment of KZN: Department of Health.

The municipality procured entertainment for uMngeni prayer meeting event from Kamavuso Verse Entertainment. The member of this entity is in the employment of South African Broadcasting Corporation.

47. Irregular expenditure

Balance brought forward	26 367 552	17 979 216
Sabinet online and on fire	–	152 339
Supplier declared-thins into	–	32 000
EPS contract	–	4 304 187
Khoskhu Trading CC	–	2 450
ELCO asphalters	–	3 770 965
Amounts condoned	–	11 250
City lodge and Adams booksellers	–	8 524
Airbrakes	–	106 621
Siyabonga Mpungose	87 300	–
Sukile Trading t/a Think Big Big House	195 900	–
Shaz's Catering	7 500	–
AT and DT Trading CC	5 980	–
Turning Point Consultants	55 625	–
Zithembe Trading and Projects	93 503	–
Khabahle Creations (Pty) Ltd	85 250	–
Injabulo kaMandla	82 300	–
Outflare Solutions	191 700	–
Garden Court Hotel Umhlanga	26 836	–
Sabinet Online Ltd	14 899	–
Working On fire	244 120	–
Lasercom	146 650	–
MP Brothers	5 300	–
Magoqaza Trading	8 000	–
Alex Mthiyane	30 000	–
	27 648 415	26 367 552

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R

48. SCM deviations

In terms of regulation 36 of the Municipal Supply Chain Management Regulations, deviations from, and ratification of minor breaches of the procurement process have to be approved by the accounting officer and noted by the Council.

The following deviations were approved by the accounting officer and sent to Council for noting.

Section 36 deviations

Deviations for the year	<u>3 468 151</u>	<u>2 225 435</u>
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Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

49. Actual operating expenditure versus budgeted operating expenditure

Material differences between budget and actual amounts

Explanations for variances greater than 10% and more than R1 million noted in the Statement of Comparison of Budget and Actual are as follows:

Commentary on Statement of Financial Performance

Revenue

49.1 Service charges- electricity

The variance is attributed to the electricity losses due to theft, through illegal connections. The municipality has determined that the estimated loss is R44 million, refer to note 24. The municipality is currently trying to address the losses via the stop electricity theft project.

49.2 Other income

The municipality accounts for income forgone from electricity and refuse, as part of the other income. This income is not actually received from the consumers, but is included for budget purposes. This amount has resulted in a variance between the actual and budget amount.

49.3 Interest received- investments

This is as a result of delays in project implementation since all Municipal grants were cashed back - the municipality earned more interest on those investments.

49.4 Rates

The positive variance in Rates is as a result of new General Valuation Roll which came into effect on the 01 July 2015, with high values in the properties and also many new developments taking place around Howick.

49.5 Property rates- penalties imposed

This is a result of ratepayers who are not paying in time and in February the Municipality charges 10% on all outstanding surcharges.

49.6 Grants and Subsidies

The difference is as a result of the the Unspent grants.

49.7 Fine

The decrease in traffic fines is as a result of non-compliance of officials.

Expenditure

49.8 Personnel

The variance is due to unfilled vacant posts.

49.9 Depreciation

Infrastructure depreciation was under budgeted for, which has resulted in a variance between budgeted and actual amounts.

49.10 Finance Costs

The Municipality has been adhering to S65 of the MFMA - paying its creditors within 30 days.

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
49. Actual operating expenditure versus budgeted operating expenditure (continued)		
49.11 Debt impairment		
In the current year the municipality has accounted for traffic fines in terms of revised IGRAP 1. Debt impairment includes calculation of traffic fines considered impaired by the Municipality. Council approved 13.4 million debt write off consumer accounts which has resulted in a variance between actual and budget.		
49.12 Repairs and Maintenance		
In the previous financial year, the municipality appointed a service provider to assist with road maintenance (fixing pot holes). The municipality budgeted a similar amount for pot hole road maintenance which was not fully utilised in the current financial year. This has caused the variance between the budgeted and actual amount reported.		
49.13 Bulk Purchases		
The municipality is in the process of "a stop electricity theft project" . The project focused on solving root causes of electricity theft e.g. illegal connections, tempering of prepaid and conventional metre systems. The corrective interventions have had a direct impact on the purchasing levels of bulk electricity. The municipality also instructed the appointed service provider for electricity services to do hard disconnection for households with long over due accounts. This is also had an impact on the purchasing levels of bulk electricity.		
49.14 Grants and subsidies paid		
The municipality has noted unspent grant of an operating nature. Reasons for understanding are as follows: a) Intergrated National Electrification Programme Grant - This unspent grant will be paid back to National Treasury, as per Note 45 above.		
49.15 General Expenses		
All the requisitions of goods and services were approved by Interim Finance Committee hence there is a saving.		
50. Additional Disclosure in terms of Municipal Finance Management Act		
Audit fees		
Opening balance	-	559 327
Current years Audit fee	1 228 994	570 714
Previous Years Audi Fee	570 714	-
Amount Paid - current Year	(1 228 994)	(1 130 041)
Amount Paid - previous years	(570 714)	-
Amount Paid - Current Year		
Heading	-	-
PAYE and UIF		
Current year payroll deductions	13 517 569	10 316 083
Amount Paid - current Year	(13 517 569)	(10 316 083)
	-	-
PENSION AND MEDICAL AID		
Current year payroll deductions	24 591 190	21 608 970
Amount Paid - current year	(24 591 190)	(21 608 970)
	-	-

There were no amounts due from Councillors and staff at as the end of the year.

51. Prior period adjustment

- The above issues have been adjusted in the financial statements for the prior year and the effect is as follows:

Notes to the Annual Financial Statements (continued)

for the year ended 30 June 2016

	2016	2015
	R	R
51. Prior period adjustment (continued)		
Adjustment to 2014/2015 Surplus		
Decrease in Intangible assets	-	(334 156)
Decrease in Accumulated surplus	-	24 690
Decrease in Accumulated Depreciation: Intangible	-	309 466
Increase in intangible Assets	-	43 548
Increase in Accumulated Surplus	-	(43 548)
Increase in Acc Depreciation : Intangible Assets	-	(11 167)
Decrease in Accumulated Surplus	-	11 167
Heading		
	-	-

In-kind benefits:

The Mayor is employed on a full-time basis, and is provided with an office and secretarial support at the cost of the Council.

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

The Mayor has two full-time bodyguards.

Councillor benefits:

All Councillors received a Samsung tablet in the current financial year. This benefit is not included in the remuneration noted above.

Report of the Auditor-General

for the year ended 30 June 2016

Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the Council on uMngeni Municipality

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I audited the financial statements of the uMngeni Municipality set out on pages xx to xx, which comprise, the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual amounts 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, 2015 (Act No. 1 of 2015) (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 uMngeni Municipality as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Material losses/impairments

8. As disclosed in note 24 to the financial statements, material losses amounting to R43,57 million (37,89 million kilowatts) (2015: R32,5 million – 30,62 million kilowatts) were incurred as a result of electricity distribution losses which represent 52% (2015: 44,5%) of total electricity purchased. The losses are of a technical nature as well as a result of unauthorised consumption and tampering.
9. As disclosed in note 31 to the financial statements, material losses to the amount of R21,94 million (2015: R11,16 million) were incurred as a result of a write-off of irrecoverable trade debtors.

Report of the Auditor-General (continued)

for the year ended 30 June 2016

Additional matter

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

Unaudited disclosure notes

11. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. 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 objectives 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

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the coordination and facilitation of the provision of housing; construction of roads and storm water infrastructure; construction and extension of electricity networks to all households and the comprehensive waste management objectives presented in the annual report of the municipality for the year ended 30 June 2016.
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. 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.
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

18. I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, however, I draw attention to the following matter:

Achievement of planned targets

19. The annual performance report on pages xx to xx includes information on the achievement of planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the municipality complied with the 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

21. 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, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Report of the Auditor-General (continued)

for the year ended 30 June 2016

Expenditure management

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

Consequence management

25. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
24. Irregular or 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)(b) of the MFMA.

Internal control

25. 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 findings on compliance with legislation included in this report.

Leadership

26. The accounting officer did not exercise adequate oversight over financial reporting and compliance as well as internal control.

Financial management

27. Adequate processes were not put in place to communicate timely and relevant information to oversight and regulatory parties. This is evidenced by material corrections in the financial statements, as well as repeat compliance findings.

Governance

28. The internal audit and audit committee could not exercise their oversight responsibility as a result of insufficient resources in the internal audit unit which compromised the quality of the annual financial results.

Other report

29. I draw attention to the following engagement that could potentially impact on the municipality's financial, performance and compliance related matters. My opinion is not modified in respect of this engagement that is either in progress or has been completed.

Investigations

30. The forensic audit unit of the Department of Cooperative Governance and Traditional Affairs is investigating various allegations reported to them, covering the period 2015/16, into maladministration, fraud and corruption. The status of these allegations is still in progress.

Pietermaritzburg

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Report of the Auditor-General and Action Plan

for the year ended 30 June 2016

#	Finding	Details	Root Cause/Control / Deficiency	Action Plan/Commitment	Responsible General Manager	Target Date
1	Material electricity losses	R43.57 million	Electricity theft by tampering with electricity meters and infrastructure	To appoint a smart metering service provider	CFO	June 2017
2	Material debt impairment	R21.94 million	Poor debt collection	To appoint a smart metering service provider	CFO	June 2017
3	Material misstatements in AFS: Non current assets Current assets Current liabilities Expenditure Disclosure items	Prior year amounts AFS did not agree to prior year Audited AFS as presented on Annual Report	1. Delays in completion of AFS caused inadequate time to review AFS prior to submission to AG. 2. Prior Year Annual Report not submitted to AG for review prior to finalisation.	1. Submit Annual Report to Auditor General for review prior to finalisation. 2. Submit AFS for 2016/17 to Internal Audit and Audit Committee for review at least 2-3 weeks prior to submission to AG.	CFO Municipal Manager	Annual Report Jan 2017 AFS 16/17: Aug 2017
4	Expenditure management	Non compliance with section 62(1)(d) of the MFMA.	Reasonable steps not taken to prevent unauthorised, irregular, fruitless and wasteful expenditure.	Appropriate steps will be implemented to prevent the occurrence of unauthorised, irregular and fruitless and wasteful expenditure	CFO	Jan 2017
5	Consequence management	Non compliance with section 32(2)(a) of the MFMA.	Unauthorised and irregular expenditure not investigated to determine if any person was liable for the expenditure.		Municipal Manager Council	
6	Leadership	Accounting Officer did not exercise adequate oversight over financial reporting, compliance as well as internal control.	1. High vacancy rate (20%)	Vacant Posts to be advertised beginning of the year 2017	GM: Corporate	Feb 2017
			2. Vacancies in senior management position	Vacant Posts to be advertised beginning of the year 2017	GM: Corporate	Feb 2017
			3. Action plan not monitored by right level of management (senior management)		MANCO	
			4. Competencies of Key Officials not recorded on Annual Report		GM: Corporate	
			5. Inadequate documented policies and procedure manuals		GM: Corporate MANGO	
			6. Inadequacies in SLAs for financial software licences (IT)	A new SLA is being drawn up in line with MSCOA Implementation.	GM: Corporate MANGO	Jul 2017

Report of the Auditor-General and Action Plan (continued)

for the year ended 30 June 2016

				7. No performance reviews for service providers	The submission of Monthly Performance Report and penalties clause is being included in IT SLA's.	GM: Corporate MANGO	Jul 2017
				8. IT Budgets not monitored to ensure spending for IT related items	Financial Management System undergoing upgrade processes to cater for this functionality.	GM: Corporate MANGO	Jul 2017
				9. No regular review of IT exception reports (i.e. log reports)	Logs are reviewed and recorded in a register. Log files are too big to print	GM: Corporate MANGO	Ongoing
				10. Information Security Officer (ISO) were not assigned to a specific individual	an interim solution is being explored at Manco while the organogram review process unfolds.	GM: Corporate MANGO	June 2017
				11. Inadequate monitoring and administration of the firewall due to lack of skills to maintain the firewall	The Firewall system is adequately administered. The System Administrator has been scheduled for Firewall Administration certification (Fortigate) in the 2017/2018 Year.	GM: Corporate MANGO	2017/2018
				12. User activity audit logs on Windows Active Directory were not monitored due to system limitation not generating logs.	User Activity logs are reviewed and recorded in a register. Log files are too big to print	GM: Corporate MANGO	Ongoing
				13. Lack of review of system administrator activities and user access rights.	In Progress	GM: Corporate MANGO	June 2017
				14. Lack of approval of Business continuity plan.	Manco assigned the development of the Organisation Wide Business Continuity Plan to the Office of The Municipal Manager	GM: Corporate MANGO	N/A
7	Financial management	Adequate processes were not in place to communicate timely and relevant information to oversight and regulatory parties		Non implementation of the following daily and monthly controls			
				<ul style="list-style-type: none"> Reconciliation of intangible assets to the intangible asset register, general ledger and financial statements 	awaiting for an appointment of asset officer	CFO	end of May 2017
				<ul style="list-style-type: none"> Reconciliation of heritage assets to the asset register, general ledger and financial statements 	awaiting for an appointment of asset officer	CFO	end of May 2017

Report of the Auditor-General and Action Plan (continued)

for the year ended 30 June 2016

			<ul style="list-style-type: none"> Reconciliation of investment property schedule to the financial statements and general ledger 	awaiting for an appointment of asset officer	CFO	end of May 2017
			<ul style="list-style-type: none"> Reconciliation of consumer deposits to the trial balance, general ledger and financial statements 	done on the monthly basis	CFO	monthly basis
			<ul style="list-style-type: none"> Reconciliation of unspent conditional grants and receivables 	done on the monthly basis	CFO	monthly basis
			<ul style="list-style-type: none"> Reconciliation of operating leases to the trial balance, general ledger and financial statements 	in the process to start preparing reconciliation on monthly basis	CFO	annual
		Audit Committee and Internal Audit could not exercise their oversight responsibilities due to insufficient resources	<p>Shortage of staff due to vacancies and non appointment of trainees to assist with workload</p> <p>Insufficient budget to automate audit processes</p>	<p>Manco to finalise consideration of amendment of Internal Audit Organisational Structure to include Risk and Compliance Officer as per Internal Audit Submission</p> <p>Finalise filling of vacant positions as per submission by Internal Audit</p> <p>Appoint Internal Audit trainees</p> <p>Allocate sufficient budget for Audit Software</p>	Municipal Manager GM: Corporate	July 2017
8	Governance		Audit Committee Reports not submitted to Council at least twice by the Audit Committee Chairperson to Council	Audit Committee Chairperson to submit quarterly reports to council	Audit Committee Chairperson	Quarterly
			Not all quarterly reports (PMS, s72, AFS) were reviewed by the Audit Committee due to late submission of information causing postponement of meetings for review.	All reports to Audit Committee to be sent a week prior to a meeting	Audit Committee Chairperson Municipal Manager	Quarterly
9	Cogta Forensic Audit	Matters relating to irregular expenditure and maladministration	Matters relating to irregular expenditure and maladministration.	Follow up on finalisation of investigation and issue of Report to Council, Treasury and Ag	Municipal Manager Council	



Conclusion

The Annual Performance Report 2015/2016 presents a positive reflection of the Municipality's performance/ achievements based on the basic service delivery general KPIs as per the Municipal Planning and Performance Regulations (chapter 3). Furthermore, the progress made on performance reporting by the different departments is commendable, even though there is still room for improvement.

The biggest challenge reported is staff shortage. This is closely linked to the gaps (vacancies and omission) in the current organisational structure. This therefore is a clear indication that the Management Committee through Council, needs to revise and implement a new, all-encompassing organisational structure.

Finally, as the next financial year marks the end of term of office for the current Council, it is essential that performance management system is revised and improved to ensure that it measures impact of the services delivered in the five years' period. This means including impact assessment (including customer surveys) in the ensuing financial year.

Important numbers for uMngeni Municipality and surroundings

uMngeni Municipality's Switchboard	033 239 9200
Office of the Municipal Manager	033 239 9266
Control Room	033 239 9244
Credit Control	033 239 8400/1/2/3/5/6

Other Departments:

Technical Services	033 239 9245
Planning and Economic Development	033 239 9285
Finance Department (CFO)	033 239 9225
Community Services	033 239 9270
Disaster Management	033 239 9252
Licensing Department (registration)	033 239 9310/07
(Learners)	033 239 9306
Hall Bookings	033 239 9286

Other Entities/ Essential Services:

UMDM – Water	033 8976700/845 or 086 086 4911
Msunduzi – Hilton/ Winterskloof Electricity	033 392 3000 or 080 000 3000
Fire	0800864911
Eskom (local)	0333303674/0333304035
Eskom toll-free	0860037566
Other emergencies	10177

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**The uMngeni Municipality 2015/2016 Annual Report is also available on
www.umngeni.gov.za**