Annual Report

Ugu District Municipality

2015/16

A Place where everyone benefits equally from socia-economic opportunities and services

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Cllr N.H. Gumede
Ugu District Municipality Mayor

The year 2016 marks 16 years of democratic local government service delivery dispensation. Local government has not only survived a fundamental restructuring over the past 16 years, it has also made great strides towards extending service delivery and development to marginalised communities.

In 16 years, local government has emerged from being an institution that was subservient and illegitimate to an institution with democratically elected leadership, who have a constitutional status and a developmental agenda. Our task going forward is to work tirelessly in addressing the triple challenge of poverty, unemployment and inequality.

In presenting this Annual Report the municipality is proud to set out our performance highlights and financial management for the 2015/2016 financial year. The report is published in terms of the requirements of the Municipal Finance Management Act No. 56 of 2003 which requires municipalities to report on all aspects of performance, providing a true, honest and accurate account of the goals set by Council and our success or otherwise in achieving these goals. This Annual Report is a transparent account of the municipality's achievements in the year under review which does not shy away from pointing out shortfalls in spending or delivery where they exist.

Today, we are proud as the municipality to acknowledge the collective efforts of our leadership, employees, service delivery partners and all citizens who contributed to transform and 're-stitch' the municipality into a cohesive institution who's able to deliver on its core mandate. We have embraced our invigorating vision and mission of the municipality in advancing the power of our communities through service delivery.

To realise this vision in practical terms, we embarked on the Growth and Development Strategy (GDS) to develop a sustainable and resilient municipality by creating a sustainable environment and developing infrastructure to improve access to water and sanitation services. An important outcome of the GDS strategy has been the identification of the key Integrated Development Plan (IDP) priorities which directed our efforts and guided our resource allocation. These priorities have steered us towards long-term economic, social and environmental sustainability whilst building a responsive, efficient and accountable municipality.

During the year, we continued to deliver according to the set priorities by instituting transformative programmes that would optimise the municipality's revenue potential, whilst ensuring that our core business of providing water and sanitation services remained firmly on course. We remain committed to improving the quality of life of our people, addressing the legacy of past inequalities head on and ensuring that all citizens including those on the margins of society have access to opportunities to earn and contribute to the economy.

We are well positioned to empower our district's citizens, and to relieve individual and household distress to create sustainable solutions to poverty and unemployment through our Institutional Economic Development Interventions.

This Annual Report also aims to enhance governance and promote accountability. It forms part of a cycle of ongoing planning, monitoring and evaluation that begins with the formulation and annual review of the IDP. This in turn enables the municipality to make its budget determinations and set targets for delivery. In this Annual Report, we look back over a period that has been concluded, and measure our performance in a range of areas. This important cycle is given an added meaning through the performance management element that has become an important facet of our municipality.

In conclusion, I urge citizens and stakeholders to study and comment on this Annual Report. This will assist us as we strive for continuous improvement in a cycle that thrives on input and participation from the communities that we serve.

Cllr N.H. Gumede
Her Worship, the Mayor

COMPONENT B: EXECUTIVE SUMMARY

MUNICIPAL MANAGER'S OVERVIEW

D D NAIDOO
Municipal Manager

As an emerging economy, we are not immune to the effects of a shrinking global economy. In the State of the Nation address, the President appealed to leaders in all spheres of government to look seriously at cost containment measures. He urged that we must "do more with less". The National fiscus is under severe strain and grant expenditure has to be curtailed.

This fortunately cannot translate to reduction in Service Delivery. Municipalities must become more creative and look to "value-add" for all expenditure. Our Supply Chain processes must be sharpened to ensure we receive value for money. Service Delivery which is the primary reason for our existence cannot be compromised and our annual baseline targets must show an annual increase in output and enhanced outcomes.

The provision of basic services, i.e. Water and Sanitation to all our communities must surely translate to a better quality of life for all our communities. We must also take note of the consequences of the severe drought and give serious attention to new sources of water.

Once we reach a situation where demand surpasses supply, we can become overwhelmed by unintended consequences.
Building resilient municipal institutions is a pre-requisite to taking developmental local government to greater heights. Municipalities must be able to continue achieving excellence in service delivery.

The Back to Basics (B2B) programme is aimed at institutionalising good practices to strengthen good governance. The B2B programme has yielded growth and we must ensure that our daily operations are informed by its five pillars.

As our citizens become more involved in Local Government, we must provide a seamless flow of information to ensure meaningful participation and informed feedback. All our plans must be responsive to the needs of our communities.

The high rate of unemployment, especially among our youth must be cause for concern. Whilst we acknowledge that we are not "an employment agency" we must in collaboration with other spheres create a climate for economic growth and investment which must create real jobs. As custodians of local resources, we must create attractive packages for investment. Investment must however be sustainable and long term. In the forthcoming year, a new Council will be inducted which will herald many changes.

All these new and re-confirmed imperatives must find expression in the IDP to be developed for the next five (5) years. The resultant SDBIP must be outcome based, delivering desired changes that enhance the quality of Life of affected communities.

The unconditional financial sustainability of our Municipality cannot be compromised. Our cash flow position has increased to more manageable levels, however the implementation of fiscal austerity cannot be relegated. Through an innovative Asset Management System, we must create a framework for the monitoring of Repairs and Maintenance. The useful life of all our assets must be extended to its maximum. This will assist us in providing affordable services to our communities.

The Unqualified audit opinion for the 2015/2016 Financial Year is an indication that all our initiatives aimed at financial sustainability and good governance have paid dividends. It is significant to note that "the other matters" as contained in the audit report has diminished and that the 2016/2017 financial year should yield a clean audit opinion.

The causes of water disruptions especially, ageing infrastructure must be given focused attention and necessary plans must be included in the IDP to overcome these challenges.

The three (3) spheres of government were intentionally designed to complement, support and collaborate with each other to provide for the needs of all communities. We have adopted an Inter-Governmental Relations Policy for the District and its family of Municipalities, which we must review for greater levels of co-operation with all Government institutions.

Our two entities namely Ugu South Coast Development Agency and Ugu South Coast Tourism Association have very specific mandates. These are structures created in partnership with private sector to mobilise resources and provide an environment for economic growth. In the long term these entities must become self-funding.

Human existence by its very nature is progressive and therefore our annual performance review must reflect an increase in tangible outcomes. Our staff must be capacitated and stay focused to achieve identified deliverables. We must resist the temptation to employ more unnecessary staff wrongly believing that this will translate to an increase in quality and quantity of outcomes. In this day and age of technology we should look to work smarter thereby reducing our personnel costs through natural attrition.

As a sphere of government owned by all our beneficiary communities, we are dependent on many role-players and stakeholders whose support guidance and expertise is necessary for our daily operations. We are fortunate to work with these public spirited, selfless organisations and individuals. Many of them are our inspiration. Having answered the call to serve our people, we must remain, selfless, focused and resilient in implementing the agenda for developmental Local Government.

"A nation should not be judged by how it treats its highest citizens, but its lowest ones"

Nelson R. Mandela

D D NAIDOO
Municipal Manager

INTRODUCTION TO BACKGROUND DATA

Population Details					
Age in completed years	Population in 2012	Population in 2013	Population in 2014	Population in 2015	Population in 2016
0-17	293 993	296 051	298 123	300 210	308 015
18-35	216 029	217 541	219 064	220 597	226 333
36-50	101 234	101 942	102 656	103 375	106 063
51-70	86 684	87 290	87 901	88 517	90 818
71-90	28 359	28 558	28 758	28 959	29 711
91-120	1 245	1 253	1 262	1 271	1 304

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2013/2014	19%	22%	26%	44%	10%	27%
2014/2015	20%	23%	26%	48%	15%	37%
2015/2016	21%	24%	26%	52%	20%	44%
						T 1.2.4

Unemployment in the District remains high at 24% of the working age population unemployed. The data shows that 26% of the Municipality's households have no income. The District's workforce is mostly semi-skilled/unskilled, which presents challenges. The prevalence of HIV and AIDS related deaths in the region is one of the highest in the province. There has however been a significant improvement in levels of literacy in the District over the years. Data shows that almost 13% of those over the age of 20 years have no level of schooling.

MUNICIPAL MAJOR NATURAL RESOURCES OVERVIEW

The Municipality has taken a major focus on environment, considering the fact that environmental management issues are a major item of discourse across the globe. The municipality enjoys the natural resources tabulated below within its area of jurisdiction hence such resources ought to be managed properly through the development and implementation of a number of specific environmental management plans and capacitated institutional plan.

In extension to the district municipality, some local municipalities within the district are performing some of the Environmental Management functions with the district playing an oversight role.

Natural Resources	
Major Natural Resource	**Relevance to Community**
Coast	Tourism, recreation and aesthetics, religious beliefs, source of livelihood (food, employment and income), research and education
Biodiversity	Tourism, recreation and aesthetics, religious beliefs, source of livelihood (food and income), research and education, traditional health (medicine)
Air quality	Clean and safe environment, human health, education
Water resources	Domestic and industrial use, recreation, source of livelihood, education and research
Land	Agriculture, human settlements, resources for human consumption, source of power and human contentment

Table 1.2.6

The Coast
Ugu District Municipality, in its Growth and Development Strategy identifies the coast as a major tourism attraction into the Lower South Coast. Further to tourism, the strategy also identifies the coast as a source of livelihood for many families who depend on marine resources to cater for their families and for accessibility to employment opportunities.

Biodivesity
Like the coast, biodivesity is also used to attract tourism to the district. There are features of the district biodivesity that have been exploited and redesigned for tourism attraction. Apart from tourism the district biodivesity is also used for religious beliefs, livelihood, research and education as well as traditional health.

Air Quality
Air Quality is used to promote a clean and safe environment as well as for education.

Water Resources
Water resources are used for domestic and industrial use, recreation, as a source of livelihood as well as for education and research

Land
Land is one of the primary resources for agriculture, human settlements, resources for human consumption, source of power and human contentment. The district has therefore developed a number of policies to guide sustainable use of land.

SERVICE DELIVERY INTRODUCTION

Ugu District Municipality's core function is the delivery of water and sanitation to the community. It performs both the functions of being a Water Services Authority and Water Services Provider. In a committed endeavour to perform its core function to the satisfaction of the beneficiaries, the community, a number of achievements have been enjoyed the same way as a number of challenges have been experienced during the 2015/2016 financial year. Most of the achievements were based on service delivery successes with challenges on community impatience, existing infrastructure capacity and ageing infrastructure.

The biggest achievement for the previous year was the operation of the Mhlabatshane Dam which was projected to supply over 50,000 people with water. This financial year the municipality progressively implemented and commissioned with speed the Mhlabatshane Regional Water Supply Scheme. This scheme has ensured sustainable water supply to the areas of Gumatane, Nhlalwane, Nkwazi and Ncengesi to name a few.

The year under review has come with many achievements in terms of service delivery however we will have to note and pay specific attention to some key projects and performance targets which we could not reach. As we close the financial year, specific focus will be on the unachieved targets and projects that could not be completed as a way of improving service delivery to our people. We have seen our performance audits by the Auditor General improve from Disclaimer to Unqualified Outcome; an exceptional achievement if we look back to where we come from. The municipality has achieved access to basic water services to 3266 households; these including Mhlabatshane Regional Water Supply Scheme, KwaXolo Bulk Water Supply Scheme, Maphumulo Water Supply Scheme, Mathulini Water Supply Phases 4 – 7 and Ezinqoleni Bulk Water Extensions.

The Municipality prides itself of the swift and effective manner in which it responded to the worst drought situation since 1992. With the Declaration issued in December 2014, the municipality was allocated R31, 913,122.20 which was used amongst other projects to refurbish and protect over 92 springs, provide interim mobile water supply through tankering and portable storage thereof. The municipality secured its standby power supply through the same budget through the procurement of six mobile generator trucks and 3 fixed standby generators for critical power usage installations.

While access to sanitation provision may have had a steep incline in the prior years, for the current year not much construction work was done on the provision of this service as the municipality was in the process of acquiring funding through business plan applications. The provision of access to water services is notable albeit hampered by the lack of adequate bulk water services. As a projection for the current and upcoming years the municipality plans to unlock major infrastructure projects which are already at final feasibility study stages such as the Harding Weza Bulk Water Supply Scheme, the Vulamehlo Cross-Border Water Scheme and the Ncwabeni Dam Project.

FINANCIAL OVERVIEW

Ugu District Municipality's Constitutional Mandate of ensuring the provision of services to communities in a sustainable manner requires long term financial sustainability to support the service delivery objectives.

Long term financial sustainability must be ensured by the application of sound financial principles, strengthening of financial management systems and promotion of transparency. The multi-year budgeting method is currently being used to ensure stability. This method balances funding of capital expenditure with the impact on future operetional budgets in the medium and long-term.

Sound financial principles must be addressed by ensuring that compliance to legislation is maintained and policies, delegations, roles and responsibilities are properly monitored.

The municipality is grant dependent and cannot fund capital projects in the short and medium terms. For the last five years, the municipality has refrained from making new commitments in terms of borrowed funds and this has improved the liquidity of the municipality. All the reserves of the municipality are now cash backed.

Although the municipality is still experiencing challenges with the current billing system, there has been an improvement in the cash collections from the consumers comparad to the previous financial year. The improvement in the cash collection can be attributed to the effective implementation of the Credit Control and Debt Collection policy. The municipality has remained conservative in spending its cash resources and this practice has been influenced by the various turnaround plans which were adopted by the municipality in the previous financial years.

Financial Overview: 2015/2016			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	383 922	372 460	362 912
Taxes, Levies and tariffs	407 861	462 912	316 072
Other	18 449	49 358	48 365
Sub Total	810 232	884 730	727 349
Less: Expenditure	804 588	881 711	889 122
Net Total*	5 644	3 019	-161 773
			Table 1.4.2

Operating Ratios	
Detail	%
Employee Cost	34%
Repairs & Maintenance	7%
Finance Charges & Impairment	8%
	Table 1.4.3

COMMENT ON OPERATING RATIOS:

Total Capital Expenditure: 2013/2014 to 2015/2016 R'000			
Detail	2013/2014	2014/2015	2015/2016
Original Budget	400	480	508
Adjustment Budget	450	475	520
Actual	420	468	530

Table 1.4.4

COMMENT ON CAPITAL EXPENDITURE:

The municipality spent 11% less than the annual allocation on the capital budget. This was caused by the additional allocations of R9 587 800 on the Drought Relief Intervention Programme that was not included in the original budget of the municipality. This additional funding was allocated towards the end of the financial year; hence a technical adjustments budget was made to appropriate these funds in the municipality's budget.

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The Human Resources Section renders a comprehensive integrated customer focused human resources, including the following:

Recruitment and Selection – The municipality reviewed its organisational structure during the 2014/2015 financial year, however due to the shortage of funds, the municipality could not provide for all the new positions both during 2014/2015 and 2015/2016 financial years.

Organisational Development – The municipality is currently rolling out the individual performance management system to the middle management that is reporting to the section 57 managers. The plan is to cascade the individual performance management system down to all levels of the municipality.

The municipality implemented the policy on Incentives and Rewards during the year under review. The best performing employees were identified for each department and were rewarded for their hard work.

The municipality developed the Workplace Skills Plan, which catered for all staff development needs during the 2015/2016 financial year. In addition, the municipality established a job evaluation team to ensure that no employee is worse off and that training needs are directed in line with job activities of each individual employee.

AUDITOR GENERAL REPORT SUMMARY - 2015/2016

The municipality received an unqualified audit report for the financial year 2015/2016 with matters of emphasis on the following areas:

A. Emphasis of Matters

1. Restatement of corresponding figures
- Correction of prior period error relating to period ending June 2015.

2. Material losses and impairments
- Material water losses were reported for the 2015 /2016 financial year and these losses relates to the unmetered water connections and the water that was provided to the arears where there is no water infrastructure

B. Compliance with legislation

1. Annual Financial Statements
- The annual financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122 of the MFMA

2. Procurement and contracts management
- Awards were made to the service providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of the supply management (SCM) regulations 44

3. Asset Management
- The municipality did not have an effective system of internal control for assets as required by section 63(2) of the MFMA

C. Internal control
- The accounting officer did not exercise adequate oversight responsibility regarding the financial reporting and compliance with legislation

D. Financial management
- Daily and monthly reconciliations were not adequate to prevent the material misstatements in the annual financial statements

Besides the matters that are identified above, the municipality has done a remarkable improvement in correcting the matters that were identified by AG in the previous year's audit reports, including the following areas;
- Creditors management;
- Supply chain management; and
- IT governance.

The existing corrective action plan has been amended to address all the issues that were identified in the AG management report and the implementation of the plan is closely monitored by management.

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
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4th quarter Report for previous financial year	
4	Submit draft 2015/2016 Annual Report to Internal Audit and MPAC	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
8	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	September - October
9	Municipalities receive and start to address the Auditor General's comments	November
10	MPAC sits to consider Draft Annual Report	January
11	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
12	Audited Annual Report is made public and representation is invited	January/February
13	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report to be used as input.	
14	Oversight Committee assesses Annual Report	March
15	Council adopts Oversight report	
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	April

Table 1.7.1

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

- The relationship of all structures of government is regulated by the Constitution of the Republic of South Africa and relevant legislation governing local government, namely: The Constitution of the Republic, 118 of 1995
- White Paper on Local Government
- The Local Government Municipal Structures Act, 117of 1998
- The Local Government Municipal Systems Act, 32 of 2000
- The Local Government Municipal Finance Management Act, 56 of 2003
- All Regulations and Frameworks on Local Government

The Ugu District Municipality as a statutory body is a creature of the abovementioned legislation.

It comprises the Political and Administrative arms. The Political arm is made up of politicians whilst the Administrative one is of Officials.

The Administration accounts to the political segment of the Municipality. For purpose of improved efficiency and effectiveness, various Committees and Sub-Committees have been established within the prescribed parameters of the legislation above.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Political segment of the Municipality comprises a Council (made up of 35 Councillors) and an Executive Committee (made up of 7 Councillors). The Chairperson of the Council is the Speaker.

The responsibility for the management of the Code of Conduct for Councillors rests with the Speaker.

The Speaker exercises oversight. This ensures harmonious relationships within Council.

All Councillors as politicians provide a bridge through which needs of communities and various stakeholders are channeled into Council for consideration. The Mayor takes full responsibility for the execution of all policies and resolutions of Council.

On the other hand, the Administration is headed by the Municipal Manager who is supported by the GMs. The Administration is tasked with the responsibility to render services to communities.

In order to ensure accountability, the Ugu District Municipality has established structures that exercise oversight over Council and its Committees, as well as Administration. These structures are:

- Municipal Public Accounts Committee (MPAC)
- Audit Committee

2.1 GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

UGU EXECUTIVE COMMITTEE

Mayor: Cllr N.H. Gumede

Deputy Mayor: Cllr M.A. Chiliza

Speaker: Cllr S.B. Cele

Cllr I.M. Mavundla

Cllr N.F Shusha

Cllr S.G Nyawuza

Cllr S Mahomed

Cllr J.S Mbuthuma

COUNCILLORS

Cllr P.L Zungu

Cllr T.M Cele

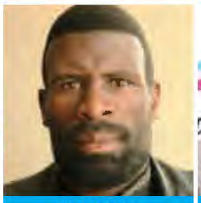
Cllr N Ndzingwa

Cllr V.L Ntanza

Cllr N.A Madlala

Cllr S.A Khawula

Cllr S.T Gumede


Cllr M Mkhize

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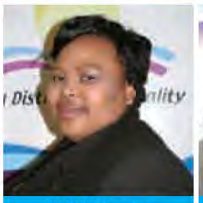
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Cllr Y.L Duma

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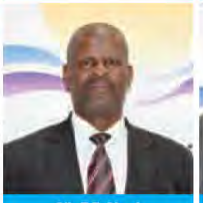
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Cllr J Van Vuuren

Cllr G.D Henderson

Cllr M.P Mnteshana

Cllr M Manyoni

Cllr D.H Njoko

Cllr J.M Ndlela

Cllr D Snashall

Cllr B.E Machi

Cllr M.B Gravu

Cllr S.M Zuma

Cllr E.M Bux

POLITICAL DECISION-TAKING

Every Municipal Council has the right to determine its internal procedures; this right is protected by S160 of the Constitution, which also allows the Municipal Council to decide what mandate or area of responsibility it assigns to political structures, office bearers and the Municipal Manager. This right is coupled with an obligation in the Municipal Systems Act 32 of 2000, which instructs each municipality to define the roles and areas of responsibility of political office-bearers and political structures. This definition process is done through the terms of reference, which seek to precisely outline the roles and responsibilities of the Councillors, political structures and officials in a municipality as identified in legislation.

The purpose of the Executive Committee is to delegate specific functions to committees as provided for in Part 5: Section 79 of the Municipal Structures Act, 1998. The Executive Committee exercises oversight responsibilities in respect of the day-to-day activities of Council. It is important to note that all resolutions taken by the Executive Committee as per delegations from the Council for the financial year 2013/2014 have been implemented.

The object of the Council Committee is to perform the following functions:

- To formulate and develop legislation and policies pertaining to the functions of the administration;
- To provide oversight in the implementation and monitoring of the approved legislation, by-laws, policies, municipal budget as well as Council's strategic plans;
- To consider any report on legislation, policies (Budget and Integrated Development Planning included), and bylaws with regard to the administration;
- To ensure that the inputs from the communities and sector forums are given due consideration and Councillor N.H. Gumede, Mayor/Chairperson of the Executive Committee, accounts where applicable; and
- To obtain expert advice where deemed necessary.

The municipality has 35 Councillors seven EXCO members, with the Speaker being Ex Official.

Executive Committee

The Executive Committee exercises oversight responsibilities in respect of the day to day activities of Council. The Ugu Executive Committee has delegated plenary powers to exercise the powers, duties and functions of Council, excluding those plenary powers expressly delegated to other standing committees and those powers which are wholly resolved to the Ugu District Council. Notwithstanding the above, the Executive Committee is authorised to exercise any of those plenary powers delegated to other Standing Committees in circumstances where any matters from these committees are referred to the Executive Committee.

The Statutory Functions of the Executive Committee, in respect of the municipal functions, are:

- Review of the performance of the municipality in order to monitor and improve performance;
- Economy, efficiency and effectiveness of the municipality;
- Ensure the efficiency of credit control and revenue and debt collection services
- Ensure the implementation of municipality by-laws
- Oversee the management of the municipality's administration in accordance with the policy directions of the municipal Council (output monitoring)
- Ensure the provision of services to communities in the municipality in a sustainable manner
- Ensure involvement of communities and community organisations in the affairs of the municipality
- Ensure the alignment of the IDP and the budget received; and to effect consultation on the decisions of the Council

The EXCO further makes recommendations to the Council regarding:

- The adoption of the estimates of revenue and expenditure, as well as capital budgets and the imposition of rates and other taxes, levies and duties
- The passing of by-laws
- The raising of loans
- Approval or amendment of the IDP
- Appointment and approval of conditions of service of a Municipal Manager and heads of departments / GMs
- Any other matters referred to it by the Council
- Matters delegated to it by Council in terms of the Systems Act and delegations framework
- Progress against the key performance indicators
- Reports received and considered from committees in accordance with the directives as stipulated by the EXCO
- Varied or revoked decisions taken by the Section 80 committees, subject to vested rights
- Development of strategies, programmes and services to address priority needs of the municipality through the IDP and estimates of revenue and expenditure, taking into account any applicable national and provincial plans
- Determination of the best methods, including partnerships and other approaches to deliver services, programmes and projects to the maximum benefit of the community subject to applicable legislation and delegated authority
- Identification and development of criteria in terms of which progress in the implementation of services, programmes and objectives to address the priority needs of the municipality can be evaluated, which includes KPIs which are specific to the municipality and common to Local Government in general.
- Management of the development of the Performance Management System by assigning responsibilities in this regard to the Municipal Manager and submits the proposed performance management system to Council for consideration
- Monitoring of progress against the said key performance indicators
- Receipt and consideration of reports from committees in accordance with the directives as stipulated by the EXCO
- Election of a chairperson to preside over meetings if both the Mayor and Deputy Mayor are absent from a meeting in the event of there being a quorum present at such meeting and the Mayor has not designated a member of EXCO in writing to act as Mayor
- Consideration of appeals from a person whose rights are affected by a decision of the Municipal Manager in terms of delegated powers, provided that the decision reached by this committee may not retract any rights that may have accrued as a result of the original decision
- Reporting of all decisions taken by EXCO at the ordinary Council meeting.

General Functions of the Executive Committee

- Recommends to Council after consultation with the relevant Portfolio Committee, policies where
- Council had reserved the power to make the policies itself
- Makes recommendations to Council in respect of Council's legislative powers
- Determines strategic approaches, guidelines and growth parameters for the draft budget including tariff structures

In line with S80 of the Municipal Structures Act, the Municipality currently has five multi-party Portfolio Committees, namely:

- Finance;
- Local Economic Development;
- Sound Governance and Human Resources;
- Special Programmes and
- Water and Sanitation.

These Portfolio Committees continue to assist the Executive Committee in policy development and monitoring to accelerate service delivery, as well as the oversight of strategic programmes and projects.

1. Portfolio Committee on Finance

The Portfolio Committee on Finance is a Section 80 Committee, responsible for the following functions and making recommendations to the Executive Committee thereon:

1. Familiarise, interrogate and recommend to the Executive Committee the budget and reports on economic issues, statistical information, agreements, financial reports and reports on economic and policy statements.
2. Sharpen public awareness of the budget and Government financial and economic policies, and encourage informed debate on the budget.
3. Advise the Executive Committee on the district municipality's domestic borrowing policies.
4. Study Government's policies as regards budgets and advise accordingly.
5. Seek advice from all three spheres of Government, on financial and other budget related matters.
6. Drive the entire budget process as alluded to by legislation, thus ensuring that budgets are based on priorities and realistic income and expenditure.
7. Advise on processes that need to be put in place for formulating and monitoring the budget, throughout its cycle, that will enhance the District Municipality's role in appropriating and overseeing the budget, and make the budget process more responsive to stakeholders.
8. Advise on budget programmes that need to be given special treatment during budget implementation.
9. Ensure that the budget of the District Municipality is used as a primary tool for implementing National and Provincial Policies.
10. Review the relevant legislation and future legislation (bills) with financial and budget implications and advise the Executive Committee accordingly.
11. Deal with any other budget related matter referred to the Committee by the Executive Committee.
12. Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.

2. Portfolio Committee on Special Programmes

The Portfolio Committee on Special Programmes is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon:

Oversight over the following functional areas: -

(i) Undertake the following special programmes in respect of Policy, Strategy and Programmes.

- Youth;
- Senior Citizens;
- People with Disability;
- Gender;
- Moral Regeneration;
- Rights of the Child; and
- Farm Workers

(ii) Lobby and advocacy for special programmes interests by other Portfolio Committees within Council.

(iii) Coordinate response for vulnerable groups.

(iv) Facilitate and monitor an evaluation framework for all the functional areas.

3. Portfolio Committee on Sound Governance and Human Resources

The Portfolio Committee on Sound Governance and Human Resources is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon

1. To develop and recommend the Good Governance and Human Resources Services portfolio policies;
2. To develop and recommend the Good Governance and Human Resources portfolio by-laws;
3. To consider and make recommendations in respect of the draft budget and IDP of the Human Resources & Sound Governance Portfolio;
4. To ensure public participation in the development of policy, legislation, IDP and budget of the Human Resources & Sound Governance Portfolio;
5. To monitor the implementation of Council policies in respect of the Human Resources & Sound Governance portfolio;
6. To ensure the provision of efficient, economical and effective administration of the municipality, to co-ordinate secretarial services, to oversee the delivery of the human resource services, and to render management and transformation services;
7. To oversee the delivery of support services to the Council
8. Exercise delegated authority after considering a report from the designated officials for the Human Resources & Sound Governance Portfolio;
9. Introduce to Exco the recommendations from the Human Resources & Sound Governance Portfolio Committee;
10. Submit portfolio reports to EXCO.

Functional Role of the Human Resources & Sound Governance Portfolio Committee

The objective of the Sound Governance & Human Resources Portfolio Committee is to assist the executive committee on the functions listed below:

Administration and Operational Support

- Corporate Strategies, Systems and Services;
- Records Management and Registry Services;
- Secretariat Support and Printing Services;
- Occupational Health and Safety;
- Employment Equity Planning;
- Wellness: EAP;
- Customer Relations;
- Performance management
- Information Communications Technology;
- Facilities Management;
- Enterprise Security
- Development planning including IDP Development and GIS and
- Intergovernmental Relations

Legal Services

- Statutory Compliance Legislation, and
- Legal Research

Strategic Human Resources and Personnel Services

- Individual Performance Management;
- Training and Development;
- Labour Relations and
- Personnel Management

4. Portfolio Committee on Local Economic Development

The Portfolio Committee on Local Economic Development is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon:

1. Oversee the implementation of all applicable legislation relating to social and Economic Development, National Development Programmes, Provincial Development Programmes, trading regulations, investment opportunities, transport, land affairs, electrification, housing and public works.
2. Oversee all aspects, programmes and activities of local economic development.
3. Oversee all fiscal and other incentives designed to promote social and economic development.
4. Oversee environmental management and ensuring environmental planning, education, sustainable development management.
5. Oversee the provision of efficient environmental health services through continuous monitoring and enforcement.
6. Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.

5. Portfolio Committee on Water and Sanitation

The Portfolio Committee on Water and Sanitation is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon:

1. Advise the Executive Committee on all legislation or prospective legislation relating to: -
   - Water and Sanitation Reticulation;
   - Water and Sanitation Treatment Works;
   - Water and Sanitation Capital Projects;
   - Water and Sanitation Operations;
   - Water and Sanitation Operational Projects;
   - Non-Revenue Water;
   - Water Restrictions;
   - Water Services Planning;
   - Emergency Water and Drought Relief;
   - Ground Water;
   - Industrial Effluent and Recycling of Waste Water;

2. Oversee the following municipal services:
   - Water and Sanitation Reticulation;
   - Water and Sanitation Purification;
   - Water and Sanitation Designs;
   - Water and Sanitation Operations;
   - Water and Sanitation Capital projects;

3. Oversee municipal infrastructure development and services to meet the needs of the Municipality in the discharge of its responsibilities.

4. Oversee the commissioning of the best methods to deliver the aforementioned municipal services and facilities to the maximum benefit of the community of the municipality.

5 Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Ugu District Municipality is committed to transparent and accountable governance. The broad range of public participation programmes and processes, especially related to its IDP and Budget, bears testimony to the institution's commitment to involve its communities in its planning and decision-making processes. The Council of the Ugu District Municipality is the highest decision making authority in the institution. It guides and instructs the administrative component, which implements the decisions taken by the political component. The head of the administrative component is the Municipal Manager, DD Naidoo and there are 4 GMs for the various Departments within the Municipality.

The administrative wing consists of structures that are put together by the Municipal Manager in order to ensure efficiency and improve service delivery within the municipality. The refereed institutional arrangements relate to Management committee and Extended management committee.

Management committee consists of GMs (S56) reporting directly to the municipal manager as well as Senior Managers and Managers that are reporting directly to the Municipal Manager, but who are not S56 Managers. This committee discusses strategic issues pertaining to the provision of municipal services and deals with those matters before they can be considered by the Portfolio Committees and Executive committee.

The decisions taken in this committee exclude matters that are delegated to Council S79 and 80 committees and such decisions are binding to the members of the committee. The proceedings of Management committee are always recorded and minuted, whilst a formal agenda is followed and reports tabled. The Extended Management Committee consists of all GMs, Senior Managers and Managers within Ugu district municipality and is an extension of Management committee.

This committee serves the same purpose as Management committee, however it considers mainly issues that directly affect the section managers and which requires the implementation by managers. This committee is chaired by the Municipal Manager and the meetings are always recorded. Both Management and Extended management meetings take place on Mondays and following a formal agenda.

In order to give effect to the implementation of Council and management resolutions, the Management committee has formed the Resolutions committee which is comprised of all GMs of Ugu District Municipality. The role of GMs is to monitor and track implementation of Council and management resolutions. This committee has a separate agenda, and upon consideration of resolutions – those that are not implemented get followed up by the Secretariat unit. In all the above mentioned committees, the secretariat unit plays a crucial role in terms of minute taking, recording and distribution of the agenda.

In the past financial year, the administrative governance within Ugu District Municipality has improved both in terms of attendance to issues or challenges and compliance with the implementation of resolutions.

TOP ADMINISTRATIVE STRUCTURE:

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Ugu District Municipality has five (5) departments which are led, administratively by the Municipal Manager and four (4) Heads of Departments. The departments are: The Office of the Municipal Manager; Water and Sanitation Services; Treasury and Budget; Corporate Services and Infrastructure and Economic Development. These departments are allocated per National Key Performance Area as well as Powers and Functions.

TOP ADMINISTRATIVE STRUCTURE			
PHOTO	POSITION AND NAME	GENDER	FUNCTION
	Municipal Manager D.D. Naidoo	Male	• Overall Municipal Administration Management • Performance Management System • Legal Services • Internal Audit and Risk Management • Community Participation • Mayoralty and Communication • Intergovernmental Relations • Special Programmes • Youth Development • HIV and AIDS • Development, Statutory and Strategic Planning
	GM: Water Services Lungile Cele	Female	• Provision and management of Water and Sanitation • Water and Sanitation Infrastructure development and Maintenance • Provision of Free Basic Services
	GM: Treasury and Budget Sibongile Mbili	Female	• Municipal budget management • Municipal Revenue Collection and Expenditure Management • Municipal Assets Management • Municipal Supply Chain management
	GM: Infrastructure and Economic Development Zakithi Mbonane	Female	• Local Economic Development • Environmental Management and Services
	GM: Corporate Services Vuyiwe Tsako	Female	• Human Resources Development and Management • Secretariat and Auxiliary services • Information Communication Technology (ICT) • Fleet Management • Occupational Health and Safety • Disaster Management Services

Table 2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Guided by Section 41 of the Constitution of the Republic of South Africa, Section 3 of the Municipal Systems Act of 32 of 2000 and the Intergovernmental Relations Framework Act of 2005, the district municipality has managed to establish a number of intergovernmental structures. Each structure has a role to play in facilitating service delivery. The structures address mainly the issues of alignment and coordination and coherent planning in order to eliminate the duplication and development parachuting.

The main objectives of the Intergovernmental Relations Framework Act are:

- Coherent government
- Effective service delivery
- Monitoring policies and legislation implementation
- And realization of National Priorities

These objectives will be achieved through the intergovernmental system. The Intergovernmental Relations is an instrument for mobilizing the distinctive efforts, capacities, leadership and resources of each sphere of government towards service delivery and government defined development objectives.

The strategic role of the Intergovernmental Relations is to facilitate integrated service delivery and development therefore the capacity of the municipality in managing the IGR (Intergovernmental Relations) is of vital importance. The Ugu District Municipality developed its strategy to strengthen the functioning of the IGR system within the family of local municipalities. The framework advocated for the creation of IGR Clusters to manage the specific matters of service delivery.

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

At a national level, the following structures are in place:

Cabinet: Cabinet Committees and DG (FOSAD) Clusters
PCC: The President's Coordinating Council
PICC: President's Infrastructure Coordinating Council
Budget Council
MinMEC: Ministers and Members of Provincial Executive Committees
HEADCOMM: Heads of Department Committee

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

IGR Structures in the Province of KwaZulu Natal:
Executive Council, its Clusters and COHOD, Action Work Groups (linked to the PGDP), KZN Provincial IGR Forum
PCF: Premier's Coordinating Forum
TPCF: Technical Premier's Coordinating Forum
MUNIMEC: Municipalities and MEC for COGTA
Sector Based Structures (Provincial Council on AIDS, Economic Council)
Stakeholder related structures (e.g. Civil Society Forum)

RELATIONSHIPS WITH MUNICIPAL ENTITITIES

a) UGu South Coast Development Agency (USCDA)

The Ugu South Coast Development Agency is the municipal entity of the Ugu District Municipality which is mandated to transform the economy through integrated and sustainable job creation, investment promotion and vibrant stakeholders' engagement. In compliance with the requirements relating to municipal entities, business will be transferred as going concern to the Ugu South Coast Development Agency (RF) SOC LIMITED on 1 July 2016.

b) South Coast Tourism

The Ugu South Coast Tourism is the municipal entity with a clear mandate to promote the tourism within and beyond Ugu borders. Through the Service Level Agreements, quarterly and annual plans the entity has clear and target driven set of actions in terms of operations, marketing and development. These actions have been crafted through within the strategy to address the key tourism fundamentals:

- Sustainable GDP growth
- Sustainable job creation and
- Key objectives

The key objectives include the following;

- Generic marketing of the destination
- Events promotion, facilitation and support
- Tourism and intergovernmental stakeholders' liaison
- Branding and advertising
- Development and presentation of promotional materials
- E-business promotion
- Training and education
- Development of people, key products and places in each municipal area

DISTRICT INTERGOVERNMENTAL STRUCTURES

The District Inter-Governmental Relations Forums are in place and established as follows:

a) Mayors' forum

A forum constituted by the district and local municipalities' Mayor's and it is chaired by the district mayor

b) Municipal Managers' forum

The forum is constituted by the district and local municipalities' municipal managers and chaired by the district municipal manager. This forum is a Technical Support forum to Mayors' forum.

c) And sub-forums

- Chief Finance Officers' forum (it is constituted by Chief Finance Officers)
- District Communicators' forum (Officials responsible for communication in the district are members of the forum)
- Technical Services and Infrastructures forum (Directors/ General Managers of the district and local municipalities are members of the forum)
- Local Economic Development forum (Directors and General Managers responsible for local economic development in the entire district are members of the forum) and
- Governance and Administration forum (Corporate Services and administration senior officials in the district are members of the forum)

Sub-forums submit reports/items to the Municipal Managers' forum meetings for consideration.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The District Municipality engages communities through Mayoral Izimbizo as well as IDP and Budget road shows. During this process communities are requested to voice their concerns and to have input on the budget. Government departments are also encouraged to be involved in these processes so that they will be able to address issues that concern them. Capacity building workshops are conducted, a performance management system is in place, and functionality of Ward Committees is monitored to empower Ward Committees for effective community participation.

The Sukuma Sakhe Programme is another one of the effective platforms for public participation.

2.4 PUBLIC MEETINGS

2.4.1 COMMUNICATION, PARTICIPATION AND FORUMS

The Municipality has a broader spectrum of consultative and participatory public programmes in place to ensure community participation in municipal planning and decision-making processes.

In addition, awareness campaigns are held throughout the year to provide vital information to local communities, for example, on how they may access municipal services and support programmes. Invitations to the public to public meetings are communicated via Councillors, media (print and electronic), loud hailing and other methods. These meetings provide communities with the opportunity to interact and share their concerns and complaints with the leadership and administration of the Municipality. Key in the Municipality's Public Participation Programme are the IDP/Budget and Annual Performance meetings. Public meetings are conducted by Ward Councillors and the District Municipality through Mayoral Izimbizo. The Municipal Political leadership is often deployed to communities if petitions are received through the Speaker's Office from the public.

The municipality has an established IDP Representative Forum which meets et least quarterly, an IGR forum, Speakers Forum, Municipal Managers Forum and CFOs Forum which ensure public and stakeholder participation in key decision making processes.

Important public documents (i.e. IDP, SDBIP, Annual Report, Municipal Policies and By-laws) are published on the municipal website.

WARD COMMITTEES

Ward Committees are a Municipal Systems Act statutory formation within a ward. They consist of ten members including the ward councillor who, per the Act, must be the chairperson of the committee. Ward committees are one of the structures through which participation by the local community in the affairs of the municipality must take place.

Roles and Responsibilities of Ward Committees:

1. They play as an advisory body to the Ward Councillor
2. They are a public representative structure,
3. They are an independent structure that deals with community issues within a ward,
4. They are an impartial body that must perform its functions without fear, favour or prejudice. Ward Committee guidelines offer some possible powers and duties that municipalities may delegate toward committees, namely:

- To serve as an official specialised participatory structure in the municipality.
- To create formal unbiased communication channels as well as cooperative partnerships between the community and the Council
- Advising and making recommendations to the Ward Councillor on matters and policies affecting the ward;
- Assisting the Ward Councillor in identifying challenges and needs of residents;
- Section 74 of the Act states that a ward committee may make recommendations on any matter affecting its ward to the Ward Councillor or through the Councillor to the Council, Executive Committee or Mayor"
- Ward Committees can also have any duties and powers delegated to them by the municipal Council.

Major issues that the ward committees have dealt with were the issues of shortage of water and social ills; ensuring that all people in wards have identity documents and general development requirements.

WARD COMMITTEES

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Manner of feedback given to community
Mayoral Izimbizo	09/10/2015	10	7	200	Yes	IDP Roadshows
Mayoral Izimbizo	12/10/2015	10	7	300	Yes	IDP Roadshows
Mayoral Izimbizo	14/10/2015	15	7	200	Yes	IDP Roadshows
Mayoral Izimbizo	15/10/2015	15	8	300	Yes	IDP Roadshows
Mayoral Izimbizo	15/10/2015	10	7	350	Yes	IDP Roadshows
Mayoral Izimbizo	16/10/2015	12	8	350	Yes	IDP Roadshows
Mayoral Izimbizo	20/10/2015	12	7	200	Yes	IDP Roadshows
Mayoral Izimbizo	21/10/2015	18	7	180	Yes	IDP Roadshows
Mayoral Izimbizo	22/10/2015	15	7	210	Yes	IDP Roadshows
Mayoral Izimbizo	22/10/2015	16	7	250	Yes	IDP Roadshows
Mayoral Izimbizo	02/11/2015	16	7	300	Yes	IDP Roadshows
Mayoral Izimbizo	03/11/2015	18	7	300	Yes	IDP Roadshows
Mayoral Izimbizo	06/11/2015	15	7	150	Yes	IDP Roadshows
Mayoral Izimbizo	09/11/2015	18	7	190	Yes	IDP Roadshows
Mayoral Izimbizo	10/11/2015	15	7	200	Yes	IDP Roadshows
Mayoral Izimbizo	11/11/2015	15	7	200	Yes	IDP Roadshows

Table 2.4.3

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The Ugu District Municipality has identified the following benefits from the public meetings

- Understanding of community development ideas and direction
- Close relationship with community members
- Effective implementation of participatory development
- Elimination of public protests
- Identification of community structures and their role in the community
- Enhancement of the municipal-community partnership
- Establishment of level of community satisfaction about the municipality's service delivery
- Establishment of the services standard expected by communities.

2.5 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 calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
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 quarters aligned reports submitted within stipulated time frames?	Yes

Table 2.5.1

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

In a commitment to implement the principles of Corporate Governance, the Municipality ensured the deployment of more personnel to its accountability maintenance units and political structures such as the Internal Audit and Risk Management Unit and developed policies to assist the functioning of the units i.e. Risk Management Policy; Anti-Fraud and Anti-Corruption Strategy.

2.6 RISK MANAGEMENT

Risk Management is one of Management's core responsibilities in terms of Section 62 of the Municipal Finance Management Act (MFMA) and is an integral part of the internal processes of a Municipality.

It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the service delivery capacity of a municipality. When properly executed, Risk Management provides reasonable assurance that the institution will be successful in achieving its goals and objectives.

Highlights

• Every year a risk register is developed, implemented and monitored through the Risk Management Committee which sits on a quarterly basis.

• Risk Management Charter and Strategy are reviewed on an annual basis so as to ensure that there are no gaps.

• Monitoring of action plans is done on a quarterly basis by a Risk Management Officer in order to ensure that there is implementation and improvement in strengthening controls in place therefore ensuring the reduction of likelihood of the risks occurring.

• Management's buy-in on issues of risk and understanding has improved.

Challenges

• Risk Management has not been cascaded down to all employees within the municipality.

2.7 ANTI-CORRUPTION AND FRAUD

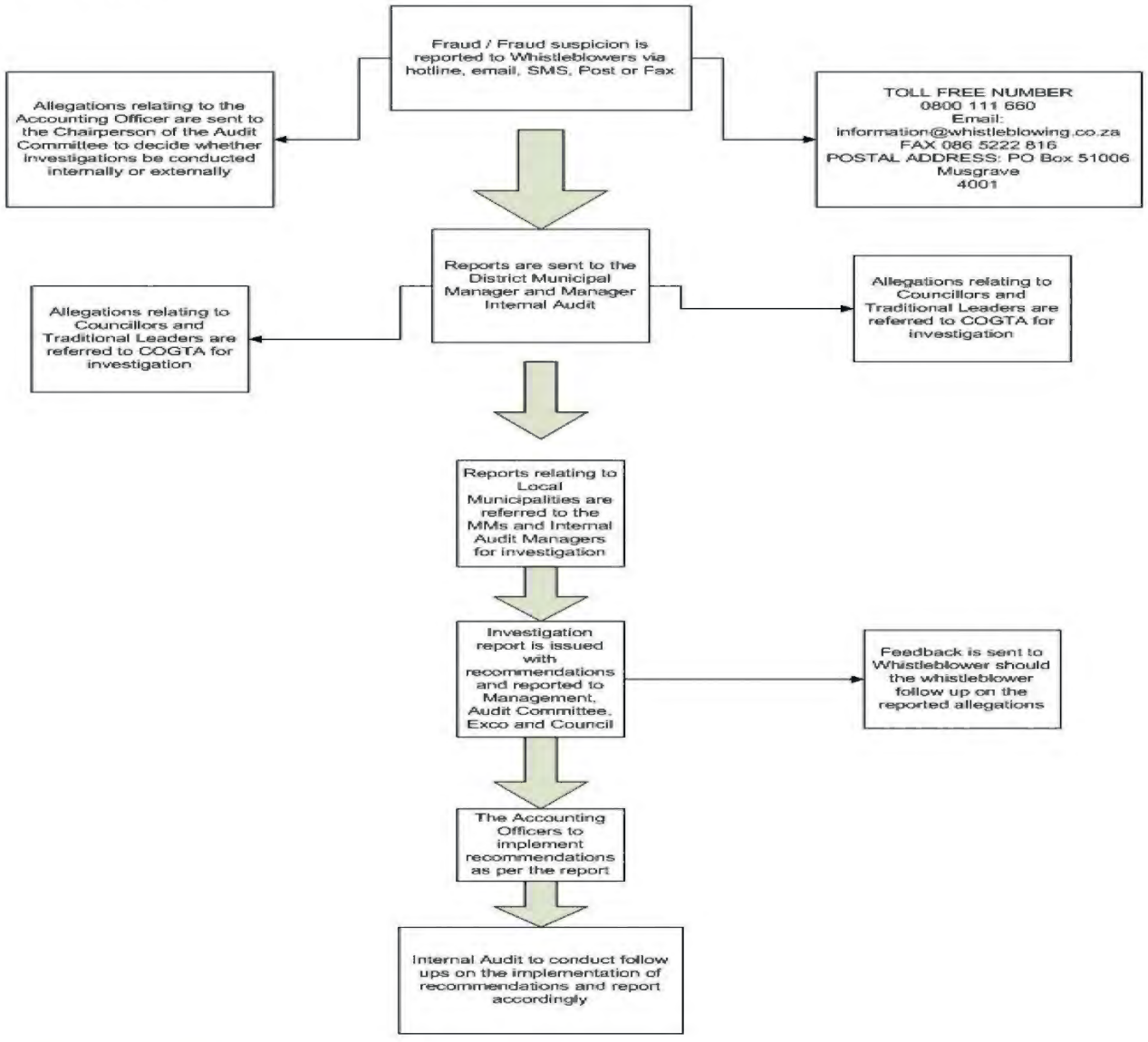
FRAUD AND ANTI-CORRUPTION STRATEGY

The Municipality is committed to preventing corruption, fraud and theft. The municipality has the following policies in place: -
Ethics Policy,
Fraud Prevention Policy,
Fraud Prevention Strategy,
Fraud Prevention and Fraud Response Plan.

Furthermore, an Anti-Fraud and Corruption Hotline is in place, which encourages the public to report fraud and corruption anonymously.

The Fraud Risk Assessments are conducted annually. Action plans are developed and monitored on a regular basis

Internal Audit review of processes is conducted. The Audit Committees exclude politicians and officials as voting members. The Mayor and the Municipal Manager condemn corrupt practices. All reported allegations are investigated.



2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The Municipality's supply chain management functions are centralised in the Budget and Treasury Office (Supply Chain Management Unit). All bid committees are in place, and they sit as per the adopted roster of bid committees.

The Supply Chain Management Unit is responsible for the procurement of goods and services, the management of supplier database and contracts management.

2.9 BY-LAWS

- Previously applicable by laws still prevail, viz:
- Water & sanitation By Law
- Air Quality By Law
- Disaster Management By Law
- Fire & Rescue Services By Law

NB: The Public Health By Law is currently under development, with promulgation expected in the 2016/2017 Financial Year

2.10 WEBSITE

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	**Yes / No**	**Publishing Date**
Current annual and adjustments budgets and all budget-related documents	Yes	10 March 2016 12 April 2016
All current budget-related policies	Yes	12 April 2016
The previous annual report (2014/15)	No	12 February 2016
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act 2013/14 and resulting scorecards	Yes	08 September 2015
All service delivery agreements 2015/16	Yes	12 August 2015
All long-term borrowing contracts 2015/16	Yes	5 August 2015
All supply chain management contracts above a prescribed value (give value) for 2015/16	Yes	4 July 2016
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 2015/16	No	n/a
Contracts agreed in 2015/16 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 2015/16	No Ugu did not enter into any public-private partnership agreements in 2015/16	n/a
All quarterly reports tabled in the Council in terms of section 52 (d) during 2015/16	Yes	17 November 2015 5 February 2016 5 April 2016 15 June 2016
		Table 2.10.1

MUNICIPAL WEBSITE CONTENT AND ACCESS:
During the 2015/16 financial year, the Municipal website was targeted as an area that required focus and improvement based on the situational analysis conducted by the Corporate Services Department during strategic planning sessions held. In respect of the website, the following shortcomings were identified;

- Infrequent updates to the website of content, layout and design
- Responsibility for updates not specific resulting in erratic updates
- Legislative compliance by Departments not measured

A complete Website re-design was commissioned and the www.ugu.gov.za website was migrated to a Microsoft SharePoint platform and enjoyed a complete overhaul. The website was refreshed using current technology, interactive functionality and content was scrutinised for validity, relevance and interest. Website champions were appointed from each Department and various business units formed part of the migration and redesign project team. After finalisation, the website was launched on the 9th of June 2016.

In its first month, the website received 6797 hits with 29% of the visitors accessing the site from Durban. This statistical analysis of the website use will enable the Municipality to ensure that content is specific to the audience requirements and enables the Communications unit to focus on specific areas of the website based on actual statistical analysis.

In respect of the www.ugu.gov.za compliance to the MFMA Website legislative requirements, the ICT Section of the Corporate Services Department, once a quarter, reports to the ICT Steering Committee in respect of the content published and analyses the percentage compliance. This oversight has ensured that the website, at a minimum, does publish the required content as legislated.

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS

The municipal website is updated through submission of content everyday or whenever it is available from respective municipal departments. Every month a reminder is sent to each department on the legislative compliance content that should be submitted to the municipal Website Administrator. To ensure quality of information published on the municipal website, information is not accepted by the website administrator if it is not signed off by the relevant Head of Department. Further to that, the municipality has a website publications policy, which the website content has to adhere to before being published. The municipal website is accessible on www.ugu.gov.za

To ensure accessibility of the municipal website, the municipality creates an awareness of the availability of the website through every advert published in the print media. The municipality has also committed some funds towards the establishment of school cybers in 5 schools within the district. The municipality has also proposed to the beneficiary schools that the homepage of each computer that will be used should be that of Ugu District Municipality website to ensure promotion of the website visit by the public.

Content Shortfall: Regular meetings with Departmental Website Content Champions are being convened, and will continue to be convened to address the shortfall in content as per the ICT Steering Committee resolution. The Web Administrator has been given more responsibility and power to actively request the various departments to provide information and documentation whose publication on the website is regulated by the legislation.

Providing Access to Public: The municipality has no immediate plans to place personal computers in locations accessible to the public to facilitate their access to the municipality's website. However, recommendations have been made at Management meetings and ICT instructed to research ways to improve public access to information published by the municipality with special emphasis on rural communities as they are the most affected by the digital divide. Financial constraints and lack of capacity with regards to staffing in the ICT section are the biggest obstacles in achieving this mandate

Access Monitoring: The website has a counter to track the number of visitors and hits online.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

Ugu District Municipality is both a Water and Sanitation Services Authority and Water and Sanitation Services Provider. In essence Ugu District Municipality's core-function is water and sanitation.

When the municipality is assessed in terms of public satisfaction with regards to service delivery provision, it would be assessed in terms of water and sanitation and additionally on Environmental Services. When the assessment is done, it would feature the elements of quantity and quality of services provided.

There are various methods in which Ugu District Municipality conducted Public satisfaction in 2014/2015, which ranges from community surveys to complaints boxes and Call Centre. The centralised public hotline through which all service delivery concerns, complaints and questions are channeled for a speedy response and action (0800 092 837) is active and functional. This system is monitored by the Customer Care Manager with active input into its continued improvement.

Subsequent to a thorough analysis of information received from the community, a conclusion was drawn that the public is not happy about water provision and billing.

In resolving the challenges, the municipality embarked on a fact-finding mission where an establishment was made that the water provision challenges emanated from a number of technical elements i.e. ageing infrastructure, pipe burst, irregular water cuts, and water quality and pumps breakdown. The municipality has since deployed resources towards the challenges, pipe replacement programme and water trucking, hence the resources are limited.

On billing, customers were not happy with the accuracy of the billing system, which was caused by the estimation process. The challenge has been resolved through meter audit and meter reading.

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

As an established Water Services Authority, Ugu District Municipality has in this financial year responded adequately to the growing need for water supply by providing access to 3266 households across the district. The municipality owns and operates 15 of its water treatment works and two other works which are operated by Umngeni Water.

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

The gap between supply and demand of municipality services is still huge, as the municipality extended supply to over 3266 households in this year, the demand point keeps increasing requiring urgent focus on bulk infrastructure upgrades. The municipality prides itself in that while the capacity of most water treatments maybe overstretched, we are still able to supply SANS 241 compliant water to our communities. The municipality complies with the requirement of the Blue Water Services Audit and has taken internal accountability towards the maintenance of the existing 92.2% Municipal Blue Drop Scorecard and increasing the number of water treatment works to achieve Blue Drop Status.

The municipality introduced for the first time in the year under review a Key Performance Indicator titled "Management Accountability Checklist" which seeks to ensure that all requirements of the Blue Water and Green Water Services Audits are adhered to meticulously. The three major service delivery priorities in this year have mainly been to cover the backlog created in the last financial year where most targets on access to water supply were not met due to over commitment of funding, this priority was achieved and exceeded.

The municipality managed to achieve on these targets through the introduction of an effective operational programme called Operation MBO which ensures that all bottlenecks in the management of projects were addressed by involving on a weekly basis, multidisciplinary stakeholders to fastrack progress on key projects such as Mhlabatshane Bulk Water Project, KwaXolo Water Project and the Optimization of the Weza Plant due to drought. A key priority for the municipality is to upgrade bulk water supply and the process towards achievement of this has been started and aligned to the Bhobhoyi Water Treatment Plant Upgrade which will ensure sustainable water supply to over 180,000 people within the Hibiscus Coast Municipal area.

The Weza Dam and Plant upgrade project is now at feasibility study stage while the Vulamehlo Water Scheme has also been unlocked for finalisation of planning processes in the next financial year. As the municipality extends supply, well over 29,000 people were still without access to piped water supply. The municipality recognised the basic need of water for these challenged communities and rolled out springs protection, borehole refurbishment. In its mandate to provide efficient water services, the municipality has for the past 12 years partnered with Umngeni Water for provision of bulk water supply to the northern areas from Scottburgh to Kelso, Umtwalume and surrounding areas.

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2014/2015	50	40	35	150	10
2015/2016	50	44	46	9	11

Table 3.1.2

COMMENT ON WATER USE BY SECTOR:

Water Service Delivery Levels				
				Households
Description	Year -3	2013/2014	2014/2015	2015/2016
	Actual No.	Actual No.	Actual No.	Actual No.
***Water:* (above min level)**				
Piped water inside dwelling	45 000	46 000	30 000	28 539
Piped water inside yard (but not in dwelling)	19 000	22 000	14 000	14 087
Using public tap (within 200m from dwelling)	58 000	60 000	58 000	59 303
Other water supply (within 200m)	26 000	26 000	28 000	28 000
Minimum Service Level and Above sub-total	148 000	154 000	130 000	129 929
Minimum Service Level and Above Percentage	83%	83%	72%	71.78%
***Water:* (below min level)**				
Using public tap (more than 200m from dwelling)	5 000	5 000	25 000	23 697
Other water supply (more than 200m from dwelling	26 000	26 000	26 000	26 000
No water supply				
Below Minimum Service Level sub-total	31 000	31 000	51 000	49 697
Below Minimum Service Level Percentage	17%	17%	28%	27%
Total number of households*	179 440	185 000	181 000	181 000

Table 3.1.3

Households - Water Service Delivery Levels below the minimum						
						Households
Description	2012/2013	2013/2014	2014/2015	2015/2016		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	57 420	59 200	57 920	57 920	57 920	57 920
Households below minimum service level	500	500	500	500	500	500
Proportion of households below minimum service level	1%	1%	1%	1%	1%	1%
Informal Settlements						
Total households	122 020	125 800	123 080	123 080	123 080	123 080
Households below minimum service level	30 500	30 500	50 500	49 197	49 197	49 197
Proportion of households below minimum service level	25%	25%	41%	41%	41%	41%

Table 3.1.4

Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
2013/2014	154 000	31 000	180 000
2014/2015	130 000	51 000	181 224
2015/2016	129 929	49 697	181 224

Table 3.1.5

Water Service Policy Objectives Taken From IDP							
Service Objectives	Outline Service Targets	2014/15		2015/16		2016/17	2017/18
		Target	Actual	Target	Actual	Target	
Service Objective xxx							
Households without minimum water supply	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	2200	3266	1300	1303	3000	3200
Improve reliability of water supply	Reduce the number of interruptions (**Ints**) in supply of one hour or more compared to the baseline of 2014/2015 (xxx interruptions of one hour or more during the year)	4hrs	3hrs	4hrs	4hrs	4hrs	4hrs
Improve water conservation	Reduce unaccountable water levels compared to the baseline of 2014/2015 (xxx kilolitres (**KLs**) unaccounted for during the year)	12	12.7	11	11.9	10	9.6

Employees: Water Services					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	04	06	06	00	00
4 - 6	04	04	04	00	00
7 - 9	59	61	59	02	3.2
10 - 12	12	14	13	01	7.1
13 - 15	120	121	121	00	00
16 - 18	158	160	160	00	00
Total	357	366	363	03	

Table 3.1.7

Financial Performance 2015/2016: Water Services					R'000
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	440310	587583	914481	397771	-48%
Expenditure:					
Employees	143508	136388	152436	146062	7%
Repairs and Maintenance	45635	36379	32991	31591	-15%
Other	344799	305526	343611	412010	26%
Total Operational Expenditure	533942	478293	529038	589663	19%
Net Operational Expenditure	93632	-109290	-385443	191892	157%

Table 3.1.8

Capital Expenditure 2015/2016: Water Services R' 000						
Capital Projects	2015/2016					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	Project Status
Total All	**190 800 000**	**209 219 006**	**235 742 313**			
Kwaxolo Water Supply: Reticulation	0	2 500 000	6 529 497	-2 500 000	2 500 000	Design
Kwanyuswa Water Scheme	10 000 000	6 005 017	5 860 279	3 994 983	16 005 017	Construction
Mhlabatshane	2 000 000	6 000 000	4 761 362	-4 000 000	8 000 000	Complete
Umtamvuna Water Works	2 000 000	6 000 000	2 244 611	-4 000 000	8 000 000	Construction
Mabheleni East Water Project	2 000 000	12 193 400	679 250	-10 193 400	14 193 400	Planning
Harding Weza (Dam)	20 000 000	12 193 400	10 214 636	7 806 600	32 193 400	Tender
Thoyane Water Project	800 000	1 181 366	1 582 780	-381 366	1 981 366	Construction
Umzimkhulu Bulk Water Augmentation	30 000 000	42 988 649	44 422 896	-12 988 649	72 988 649	Construction
Masinenge Bulk Water and Sanitation	1 000 000	2 970 879	10 264 345	-1 970 879	3 970 879	Construction
Msikaba and Surrounds Water Supply	7 000 000	3 033 763	6 323 873	3 966 237	10 033 763	Planning
Umzinto Slum Clearance: Farm Isonti	15 000 000	15 984 684	47 959 245	-984 684	30 984 684	Construction
Meter Replacements	0	314 015	398 495	-314 015	314 015	Planning
Water Pipeline Replacements(Murchison)	90 000 000	76 928 628	65 206 021	13 071 372	166 928 628	Construction
Harding Waterworks Refurbishment	1 000 000	1 000 000	0	0	2 000 000	Tender
Mistake Farm Supply Scheme	1 000 000	208 201	208 200	791 799	1 208 201	Tender
Bulk & Sewer Infrastructure – Mazakhele	7 000 000	3 567 562	2 026 252	3 432 438	10 567 562	Construction
Vulamehlo Cross-Border Water Scheme	2 000 000	12 149 442	24 865 356	-10 149 442	14 149 442	Design
Kwalembe Bulk Water Extension	0	4 000 000	2 095 215	-4 000 000	4 000 000	Design

Table 3.1.9

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Sanitation Service Delivery Levels				*Households
Description	Year -3	2013/2014	2014/2015	2015/2016
	Outcome No.	Outcome No.	Outcome No.	Actual No.
Sanitation/sewerage: **(above minimum level)**	34 000	34 000	34000	34000
Flush toilet (connected to sewerage)				
Flush toilet (with septic tank)	15 000	15 000	16110	16860
Chemical toilet	87	87	87	87
Pit toilet (ventilated)	48 000	53 000	58 000	58 347
Other toilet provisions (above min.service level)	-	-	-	-
Minimum Service Level and Above sub-total	97 087	102 087	108 197	109294
Minimum Service Level and Above Percentage	54.42%	56.89%	59.71%	
Sanitation/sewerage: **(below minimum level)**				
Bucket toilet	3 000	3 000	3 000	2 854
Other toilet provisions (below service level)	-	-	-	-
No toilet provisions	8000	8000	8000	7000
Below Minimum Service Level sub-total	70 000	65 000	60 000	57 289
Below Minimum Service Level Percentage	39,01%	36.22%	33.15%	31.65%
Total households	**179 440**	**179 440**	**181 000**	**181 000**

Table 3.2.3

Households - Sanitation Service Delivery Levels below the minimum						Households
Description	Year -3	2013/2014	2014/2015	2015/2016		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	57 420	59 200	57 920	57 920	57 920	57 920
Households below minimum service level	0	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	122 020	125 800	123 080	123 080	123 080	123 080
Households below minimum service level	70 000	65 000	60 000	57 289	57 289	57 289
Proportion of households ts below minimum service level	57.36%	51.66%	48.75%	46.55%	46.55%	46.55%

T 3.1.4

Access to Sanitation

Access to Sanitation	
	Proportion of households with access to sanitation
2013/2014	117 000
2014/2015	117 204
2015/2016	116 711

Waste Water (Sanitation) Service Policy Objectives Taken From IDP							
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018
		Target	Actual	Target	Actual	Target	
Service Objective							
Provision of toilets within standard	Additional Households (**HHs**) provided with minimum sanitation during the year (Number of HHs remaining without minimum sanitation at year end)	1100	0	446	493	1300	1600

Table 3.2.6

Employees: Sanitation Services					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	00	00	00	00	00
4 - 6	03	03	03	00	00
7 - 9	15	14	09	05	35,7
10 - 12	05	05	03	02	40
13 - 15	05	06	06	00	00
16 - 18	121	127	124	03	2.36
Total	149	155	145	10	

Table 3.2.7

Financial Performance 2015/2016: Sanitation Services R'000					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	104180	113940	107644	107384	-6%
Expenditure:					
Employees	28263	30902	7206	29356	-5%
Repairs and Maintenance	4171	10491	7866	4995	-110%
Other	54081	46149	69899	51552	10%
Total Operational Expenditure	86515	87542	84971	85903	-2%
Net Operational Expenditure	-17665	-26398	-22673	-21481	-23%

Table 3.2.8

Capital Expenditure 2015/2016: Sanitation Services					R' 000
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	53 269 420				
Bhobhoyi/Mkholombe Sanitation	1 000 000	9 500 000	2 085 243	-850 000	10 500 000
Malangeni Lowe Cost Housing	12 753 420	4 000 000	14 273 513	8 753 420	16 753 420
Sanitation Refurbishment	6 000 000	2 000 000	8 897 750	4 000 000	8 000 000
Umzinto WWTW	9 516 000	5 200 000	4 849 945	4 666 055	14 716 000
Pennington Waterborne Sanitation	5 000 000	6 000 000	863 849	-1 000 000	11 000 000
Harding Sanitation Scheme	9 000 000	11 284 710	10 861 807	-2 284 710	20 284 710
Margate Sewer Pipeline Replacement	9 000 000	11 284 710	7 555 582	-2 284 710	20 284 710
Masinenge/uVongo Sanitation Project	1 000 000	9 500 000	4 118 717	-850 000	10 500 000

3.3 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

The Integrated Waste Management Plan (IWMP) is in its 3rd year of implementation since adopted in October 2012 and its review is being planned for the next financial year. One of the strategic focus areas was to render services to the unserved communities/municipalities. The Department of Environmental Affairs (DEA) funded the initialisation of waste management services at Vulamehlo local municipality in pilot strategic wards, with the hope that the municipality would resume the project in the subsequent financial year.

Vulamehlo and Umdoni municipalities will merge after the 2016 local government elections, and under the new municipality, new plans to extend such a project will probably unfold. DEA, through its Youth Jobs in Waste programme rendered support to all 6 local municipalities by funding a Youth Jobs in Waste projects, temporerily employing unemployed, post-matric youth for a period of 2 years, which was later extended by another year until October 2016. Skills development through training has been central to this project.

It must be noted that the operetionalization of waste management services is the responsibility of local municipalities, thus detailed reports of budgets, human resources, specific projects will come from the annual reports of the local municipalities, not the district.

3.4 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
			Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
2013/14	179000	147 000	122 000	83%	104556	71%	131 977	90%	0	0%
2014/15	180000	148 000	125 000	84%	110446	75%	131 977	89%	0	0%
2015/16	181224	149 224	128 224	86%	116503	78%	131 977	88%	0	0%

Financial Performance 2015/16 Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2014/15	2015/16			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	200	128329	130949	248	-51646%
Waste Water (Sanitation)	220	4841	4841	245	-1876%
Electricity	100	120	130	135	11%
Waste Management (Solid Waste)	105	110	120	125	12%
Total	625	133400	136040	753	-17616%
					T 3.6.4

COMPONENT B: PLANNING AND DEVELOPMENT

3.10 PLANNING

INTRODUCTION TO PLANNING AND DEVELOPMENT

The Development Planning unit deals mainly with three functions which are:

- **Strategic Planning** – this involves the development of an Integrated Development Plan (IDP) and Organizational Performance Management System.

- **Spatial Planning** – this involves the development of Spatial Development Framework and regional spatial plans. Furthermore, it includes the development of the Land Use Management Framework for the entire district

- **Performance Management System**- this involves service delivery performance of the municipality

Highlights Development Planning

The highlights of the unit have been the implementation of the champions' concept for improved coordination of the development of both the IDP and OPMS.

Furthermore, the revival of the District Planners Forum has been one of the highlights which has played a major role in ensuring effective implementation of Development Shared Services.

Challenges Development Planning

The main challenge has been the lack of capacity to review the SDF and LUMS.

Employees: Planning Services					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	1	3	1	2	67
7 - 9	2	2	2	0	0
Total					

Financial Performance 2015/2016: Planning Services					R'000
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	276733	249316	1247	249316	0%
Expenditure:					
Employees	0	15766	18509	16627	5%
Repairs and Maintenance	0	0		0	0
Other	42603	89	493	5648	98%
Total Operational Expenditure	42603	15855	19002	22275	29%
Net Operational Expenditure	-234130	-233461	17755	-227041	-3%

Table 3.10.5

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The planning unit comprises of the Integrated Development Plan and Performance Management System, which is performing very well in terms of deliverables as expected to it. However, the challenge is with stakeholders who do not attend IDP representative forums.

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

As informed by the Local Economic Development mandate and reinforced by the Ugu District Growth and Development Strategy our initiatives were driven based on the quest to mitigate poverty, unemployment and inequality. Within the context of sluggish economic growth, lack of economic opportunities that characterise Ugu Economy, resource constraints the district municipality has implemented projects within several portfolios designated within its LED Unit which has resulted in notable success, albeit only limited consistent with the scale of projects, which is in turn a function of limited resources. Notably among these initiatives are the following;

3.11.1The Ezinqoleni Tea Tree Essential Oils Project

This project although limited in scale represents a unique partnership between emerging farmers and the Oribi Farmers Association which is an example that industrialization can indeed happen in the hinterland given the existence in optimal quantities of all factors of production (i.e. capital, labour, land and entrepreneurship). Through the relentless and voluntary efforts of white commercial farmers a platform has been laid for a BEE entity by the name of Sizuzimpilo Agricultural Cooperative to acquire both technical and business competencies necessary to make a success in this novel industry. Apart from this the Oribi Essential Oils Cluster has created the much-needed jobs both in the primary (production) sector as well as during the value adding/distilling process. Apart from this the product is totally geared towards the export market enabling export earnings, which apart from representing an important inflow into the local economy, it further contributes positively to the balance of payments of the country. The previous years has seen a phenomenal growth in the area under cultivation leading to a correspondingly phenomenal increase in the final product.

3.11.2 SMME and Cooperative Development and Research Portfolio.

These portfolios of the LED Function of Ugu District Municipality have played a pivotal role in creating temporary job opportunities which are mainly geared towards the unemployed youth in the financial year under review. For example, the Research Portfolio, in conducting research initiatives of the Unit has drawn services largely from a pool of unemployed graduates from the district. This strategy serves a dual purpose of creating job opportunities while simultaneously providing the unemployed graduates. On the hand the SMME and Cooperative Development Portfolio has created temporary job opportunities for the youth who show an affinity to the Arts and Crafts Sector.

3.11.3 LED Portable Skills Program

This training Program which goes to the heart of Human Capacity Development as envisaged in Strategic Goal number 7 of the PGDP which relates to Human Capacity Development serves a dual purpose of impart skills that improves employability within the climate of high unemployment it further ensures that those enrolled in the training acquire skills which they can use in the informal sector through self-employment. As such, this program offers in the short-term an opportunity to trainees who have completed an avenue to optimize incomes and to stave off poverty.

Gross Value Added per Sector, 2011-2013

Economic Activity by Sector			
	2011	2012	2013
Total	12 374	12 719	12 899
Agriculture, forestry and fishing	1 003	1 006	1 010
Mining and quarrying	54	57	58
Manufacturing	2 781	2 865	2 865
Electricity, gas and water	272	268	268
Construction	399	407	416
Wholesale and retail trade, catering and accommodation	1 950	2 012	2 048
Transport, storage and communication	1 506	1 550	1 588
Finance, insurance, real estate and business services	2 279	2 372	2 430
Community, social and personal services	685	700	712
General government	1 446	1 482	1 503
			Table 3.11.2

Employment by Sector, 2011-2013

Economic Employment by Sector			
	2011	2012	2013
Agriculture, forestry and fishing	11064	10557	9921
Mining and quarrying	410	551	648
Manufacturing	13928	13477	13043
Electricity, gas and water	422	398	327
Construction	13578	13791	12720
Wholesale, retail trade, catering and accommodation	36657	37451	36116
Transport, storage and communication	6783	7373	8186
Finance, insurance, real estate and business services	14793	14867	15553
Community, social and personal services	22644	23663	25768
General government	14670	15081	15761
			Table 3.11.3

COMMENT ON LOCAL JOB OPPORTUNITIES:

Unemployment remains high in the district – with 29.2% of the working age population being unemployed; the majority of which is the youth. The draft LED strategy and GDS prioritise the objective of the creation of employment opportunities in the district. The LED section through the Business Development and Research portfolio has committed to the employment (on a project-by-project basis) of graduates with qualifications in economic development and related fields with the intention of providing these graduates with hands on experience in the local economic development space.

In addition, other sectors within the LED will intensify their efforts in this regard. Overall the municipality's LED Unit will constantly explore innovative ways within its resources constraints to maximise income generation and livelihoods opportunities under the banner of LED initiatives.

Jobs Created during 2015/2016 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2013/2014	1050	Data Unavailable	Indeterminable	PoEs
2014/2015	74	Data Unavailable	Indeterminable	PoEs
2015/2016	97	Data Unavailable	Indeterminable	PoEs

Table 3.11.5

Job creation through EPWP* projects						
SECTOR	PROJECT NAME	LOCATION	NO OF BENEFICIARIES	MALE	FEMALE	YOUTH
ENVIRONMENTAL SECTOR	Ithubalethu Grass Cutting Project	Ugu District Municipality	48	24	24	40
SOCIAL	Mbonwa Vegetable Production	Umuziwabantu Municipality - Ward 4	19	6	11	1

SECTOR	EPWP Data Capturers	Hibiscus Coast Municipality - Ward 18	6	2	4	6
	ICT Schools Support Programme	Schools: Mlotshwa; Sister Joans; Nani; Idwala Lesizwe; KwaHluzingqondo and Sizophumelela High School	7	1	7	7
	Disaster Operation Nciphisa Izihlekelele	Umzumbe Local Municipality	40	20	20	30
	Ugu Car Wash	Hibiscus Coast Municipality & Umdoni Municipality	10	2	8	4
	Msikaba Water Supply	Hibiscus Coast Municipality	11	10	1	5
	Kwanyuswa Water Supply	Umuziwabantu	3	30	0	1
INFRASTRUCTURE SECTOR	Gamalakhe Water Supply	Hibiscus Coast Municipality - Ward 26	10	9	1	5
	Southern Main Augmentation	Hibiscus Coast Municipality - Ward 19	2	1	1	1
	Murchison Reservoir	Hibiscus Coast Municipality - Ward 22	12	10	2	7
	Bhobhoyi to Murchison Pipeline	Hibiscus Coast Municipality - Ward 20	20	13	7	12
	Upgrading of the Bhobhoyi Pump Station	Hibiscus Coast Municipality - Ward 20	22	19	3	6
	Harding Phase 3	Umuziwabantu Municipality - Ward 3	5	4	1	3
	Masinenge Bulk Water	Hibiscus Coast Municipality - Ward 3	4	2	2	1

	Harding Waste Water Treatment Works	Umuziwabantu Municipality - Ward 3	7	5	2	4
	Mazakhele	Umuziwabantu Municipality - Ward 3	4	2	2	2
	Mzimkhulu Water Augmentation	Hibiscus Coast Municipality - Ward 20	30	25	5	12
	Harding Pump Station	Umuziwabantu Municipality - Ward 3	6	3	3	3
	Isonti Phase 2		10	6	4	7
	Margate Rising Main	Hibiscus Coast Municipality	5	3	2	5

Local Economic Development Policy Objectives Taken From IDP							
Service Objectives	**Outline Service Targets**	**2014/2015**		**2015/2016**			**Year 1**
		Target	**Actual**	**Target**		**Actual**	**Target**
		***Previous Year**		***Previous Year**	***Current Year**		***Current Year**
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**(vii)**	**(viii)**
Plumbing NQF Level 4	39	25	39	39	27	27	0
Small Appliance Repairs	8	25	8	0	0	0	0
Gate Automation Skills	12	10	12	20	20	20	0
Bricklaying NQF Level 3	0	10	0	10	10	10	0
Catering NQF level 1	0	0	0	0	25	25	0
Plumbing Trade Test	0	0	0	0	0	0	25
Basic Welding Skills Training	15	0	15	0	0	0	0

Table 3.11. 7

Employees: Local Economic Development Services					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	01	01	01	00	00
4 - 6	03	04	04	00	00
7 - 9	01	01	01	00	00
10 - 12	00	00	00	00	00
13 - 15	00	00	00	00	00
16 - 18	00	00	00	00	00
Total	05	06	06	00	

Table 3.11.8

Financial Performance 2015/2016: Local Economic Development Services					R'000
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4736	19074	19899	821	-2223%
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	18732	19130	19342	20090	5%
Total Operational Expenditure	18732	19130	19342	20090	5%
Net Operational Expenditure	13996	56	-557	19269	100%

Table 3.11.9

Capital Expenditure 2015/2016: Economic Development Services R' 000					
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	None	N/A	N/A	N/A	

LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:
The above table shows that no capital expenditure was undertaken with the LED Unit. This situation has persisted for at least the past 5 years due to resource constrained climate that the Municipality is operating in. In general, even the scale of operational expenditure has reduced over the years to mimic the pattern observable with capital expenditure. In reality this limits the effectiveness of LED Interventions.

Furthermore, in line with the proposed restructuring of the LED Function the South Coast Development Agency is envisaged to play an even bigger role is high impact capital projects which according to this restructuring will see an even further diminishing role of the LED towards poverty alleviation projects.

COMPONENT D: COMMUNITY & SOCIAL SERVICES

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

In the current year, the municipality improved its engagements with communities through the introduction of the Community Services Unit. The unit aims to open a grass root platform for communities to report on water losses and educate communities on water saving tips.

The municipality has roped in its service providers to provide social responsibility programmes as part of ploughing back on areas where water service provision is being provided. One identified social responsibility programme that is at planning stages is the Early Childhood Development Programme which will be expanded in the next year. By this programme, the municipality aims to upgrade the facilities were the nursery schools are and educate teachers as part of skills development.

3.5.2 COMMUNITY FACILITIES

INTRODUCTION TO COMMUNITY FACILITIES

Employees: Community Facilities					
Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0
4 - 6	0	0	0	0	0
7 - 9	1	1	1	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	2	2	2	0	0

Table 3.12.4

COMMENT ON THE PERFORMANCE OF COMMUNITY FACILITIES

All Ugu community facilities have been handed over to respective local municipalities.

3.5.3 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

HIV AND AIDS PROGRAMME

The Special Programmes Section coordinates the functioning and implementation of the HIV and AIDS programme within the District. The coordination involves working closely with the Department of Health, a key partner in the implementation of the HIV and AIDS programme; as well as other Government Departments, Non-Governmental Organizations (BroadReach, FHI360), Civil Society Organizations, Faith-Based Organizations and People Living with HIV Sector.

Developments

The Ugu District AIDS Council (UDAC) is a functional coordinating structure. The purpose of UDAC is to develop a coherent strategy and action plan to deal with the HIV and AIDS pandemic; monitor the implementation of the strategy and initiate work where there are no local projects; assist with the mobilisation of resources and capacity building for AIDS projects within the District. The UDAC convenes quarterly where issues related to HIV and AIDS and other social ills are discussed. The Council submits multi-sectoral reports to the Provincial AIDS Council (PCA) which convenes quarterly.

- The People Living with HIV Sector (PLHIV Sector) was launched on 06 November 2015. This sector is represented in both UDAC and PCA where they discuss issues which affect them directly.
- The implementation of Triple 90 (90-90-90) strategy has commenced which is defined as follows:
    - 90% of people must get tested;
    - 90% of people tested positive must get treatment; and
    - 90% of people receiving treatment must be virologically suppressed.
- Robust HIV and AIDS awareness campaigns have been conducted in the District (taxi ranks, communities and TVETs)
- Dedicated Health Promoters, based in the District with a dedicated vehicle and salary sponsored by Office of the Premier have made a great impact in the District especially with the awareness campaigns and condom distribution.
- Over 500 nutritional supplements have been provided to the community-based organizations dealing with HIV and AIDS in the community
- 100 condom dispensers have been placed in war rooms and non-medical outlets within the District.
- Targets for HIV counselling and testing over achieved 33 % to 39 %
- Increased number of MMC has been noted in the District.
- Decreased number of maternal deaths has been noted in public hospitals compared to the other years

The 2015/2016 main indicators and District performance which is continuously reported to Provincial AIDS Council:

Indicator	Apr-Jun 15	Jul-Sep 15	Oct-Dec15	Jan-Mar16
Number of newly registered OVC	885	964	496	1029
Number of registered OVC receiving care and support	885	964	496	1029
Number of new learner pregnancies	355	402	301	142
Baby HIV antibody test positive at 18 months' rate	2%	9%	2%	2%
Baby PCR tested positive at around 6 weeks' rate	1%	2%	2%	2%
Number of males aged 15-49 circumcised	2766	3633	2498	2537
Number of infant death in public health facilities	73	71	61	44
Number of maternal deaths in public health facilities	5	5	0	1
Number of newly registered TB tested positive people	No data	1199	1065	808
Number of new HIV positive cases	4207	2408	4167	4553
Number of new HIV tests conducted	48052	51866	55635	53492
Number of male condoms distributed	3036955	3573189	5028216	2154388
Number of female condoms distributed	193490	195170	151539	126037
Number of ART patients de-registered due to death	107	113	117	94
Total number of patients on ART	69354	71716	74707	76414

Challenges

- Poor reporting by Local Municipalities and sector departments is still a concern.
- Increasing number of sex workers within the District.
- Development of Men having Sex with Men (MSM) in the District.

SENIOR CITIZENS

Senior Citizens must be full participants in the development process and share in its benefits. No individual must be denied the opportunity to benefit from development. Older persons have been previously marginalised, as ageing has been perceived as a problem rather than a natural process.

The Special Programmes Section is the main facilitating section. All of this operation's work is founded on the goal of mainstreaming senior citizens into all policies, programmes and projects across all government spheres. This means effectively ensuring that the focus on the empowerment of and protection of senior citizens is effectively coordinated and monitored. It further has a vital role to play as the principal coordinating institution for the Ugu District Senior Citizens Forum.

In summary, the Senior Citizens Programmes role is to:

- Coordinate and facilitate a comprehensive agenda for the promotion and protection of senior citizens;
- Ensure that government translates its Constitutional and global commitments into measurable and meaningful programmes;
- Establish multi-sectoral Forums to mainstream and monitor the rights of senior citizens;
- To promote close collaboration between the UDCSF, Government Departments, private sector, civil society and the broader NGO-sector involved with the senior citizens sector;
- To coordinate, monitor, evaluate and report on the implementation of programmes and strategies aimed at achieving goals for senior citizens;
- To raise awareness, advocate and lobby for, and conscientise the public about senior citizens' rights with a view to stimulating public debate.

Achievements

- Functional Ugu District Senior Citizens Forum (UDSCF).
- Functional Senior Citizens Forums at local level with vocal members and Chairperson's who participate in the District Forum.
- Senior Citizens participate annually on the Golden Games event which are coordinated from Ward, Local, District, Provincial and National level.
- Robust awareness campaigns regarding senior citizen issues such as elderly abuse have been conducted which have resulted in a decrease in elder abuse cases within the District.
- Inter-generational dialogues are conducted with senior citizens and different sectors.
- The Chairperson and Deputy Chairperson of the UDSCF were appointed as the Provincial Senior Citizens Forum
- UDSCF Chairperson was nominated as the Deputy Chairperson of the South African Older Person's Forum, Speaker of the Provincial and National Senior Citizens Parliament.
- Visible political commitment.

DISABILITY

People living with Disabilities in South Africa encounter a range of physical, cultural social and attitudinal barriers, which prevent them from enjoying and accessing their full civil, political, economic, and social and developmental rights. The Special Programmes Section is committed to promoting an integrated National Disability Forum strategy. The collaboration is aimed at ensuring that those living with disability are included in making decisions about their lives, have access to justice, achieve independent living, establish an adequate standard of living, personal mobility, enjoy freedom of expression and participate fully in society.

The Special Programmes Section is tasked with mainstreaming the Disability Programme within the District. Mainstreaming involves the integration of disability issues and interventions with government legislation and programmes and other sector organisations or programs.

In summary, the Disability Programmes role is to:

- Develop an Ugu District Municipality implementation plan that is aligned to the National Disability Strategy.
- Promote participation by relevant stakeholders in the development and use of research
- Encourage a process allowing the development an integrated project based budget.
- Facilitate capacity development among stakeholders to enhance INDS implementation
- Develop a reporting mechanism to facilitate the dissemination of information by using appropriate medium e.g. Braille.
- Encourage the sharing of resources and the adoption of asset-based approaches.
- Change attitudes through sensitization and awareness programmes.
- Advocate and facilitate inclusion in the decision-making process.

Disability Programmes implemented FY 2015/16:

- Enlighten Broad Skills and Business Opportunities for the Disabled.
- Awareness Campaign Against Drug Abuse and HIV and AIDS.
- Creating Awareness on the Rights of Disabled People.
- Disability Sports Day.
- Awareness Campaign.
- Workshop for Mothers with Disabled Children.
- Reviving of Disability Forum.
- Economic Empowerment Workshop
- Talk Sign Language
- Sanitary Dignity Campaign in Special Schools.
- Wonder Cooker Bags for 20 Disabled Women.
- Economic Empowerment Workshop.
- Autism Awareness Campaign.
- Dress a Child Campaign.
- Career Guidance for Disabled Children.

Challenges:

- People Living with Disabilities lack access to employment opportunities and even if they are able to get employment they face problems such as reasonable accommodation at work, accessibility of public transportation to get them to work.
- The majority of people with disabilities have been excluded from mainstream education and thus are prevented from accessing their fundamental rights in society. Educators are often not aware of the exact causes and nature of exclusion of disabled leaners.

Suggestions / Recommendations:

- Support to schools of children with disabilities while at the same time introducing inclusive education for children with disabilities and support for educators through awareness campaigns.
- Intensify support for disabled women and mothers with disabled children.

GENDER

In terms of South Africa's legislative provisions, Section 187 of the Constitution of the Republic of South Africa articulates government's commitment to promote the respect for gender equality and the protection, development and attainment of gender equality in society. The Gender programme is responsible for coordinating and implementing strategies that promote gender equality and raise awareness on issues such as sexual and reproductive health, gender-based violence and access to legal, health, economic and social services within the District.

The Gender programme continues to promote the respect for the rule of law, human rights as well as economic and social development for both women and men to ensure that equal opportunities are observed and secured.

The Special Programmes Section is responsible for the coordination and implementation of Gender Programme strategies that ensure that women play an active role in the economy of the District and the country at large; thereby escaping poverty.

In summary, the Gender Programmes role is to:

- Guide the District's response to gender-related issues.
- Create and strengthen partnerships for an expanded provincial response to issues of Gender.
- Mobilize and streamline resources in order to effectively implement partnership activities.
- Establish medium and long-term goals for the Gender Programme based on the Gender Equality Act.
- Coordinate, monitor, evaluate and report on the implementation of programmes and strategies aimed at achieving Gender goals.
- Raise awareness, advocate, lobby on and consociates the public about the Rights of Gender
- Receive reports sectorial reports in order to monitor and evaluate the effectiveness and impact of the sector effort.
- Facilitate and support the establishment of the Local Municipality Gender Forums.
- Strengthen capacity at all levels by providing the necessary framework, guidance and support of all sectors to achieve these objectives

Gender Programmes implemented in FY 15/16:

• **Wonder Cooker Project** was launched in Hibiscus Coast Municipality. The purpose of the programme is to support and encourage rural women to embrace the Wonder Cooker Project as an income generating initiative. EDTEA and Ugu LED conducted a workshop for women on how to register as co-operatives.

• **Moral Regeneration Sessions** facilitates dialogues with offenders in order to equip them with the knowledge and skills to become responsible men and adopt strategies that will positively impact their rehabilitation and assimilation back into society.

• **Men Empowerment programme** was initiated by the Ugu Men's Forum with the intention of addressing gender-based violence and supporting vulnerable men develop their entrepreneurial skills.

• **Boys-to-Men Sessions** provide positive male mentorship to boy leaners by being positive male role models and encouraging the adoption of healthy lifestyle choices, academic achievement and responsibility.

• **16 Days of Activism Prayer for Violence against Women and Children Abuse Campaign** raised awareness on the negative impact of violence.

• **Sanitary Dignity Campaign** addresses issues pertaining to female health, teenage pregnancy, sexually transmitted infections and other social ills as well as promotes the retention of female learners in school during their menstrual cycle.

• **Girl Talk** led by the women empowerment sector addresses girls on issues pertaining to female health, teenage pregnancy and HIV and AIDS.

• **Clothing Bank** aims to remove social barriers and promote inclusiveness, by restoring the dignity of the people through the clothing donations that will be collected, sorted, cleaned and distributed to the vulnerable groups.

Other Achieved Programmes:

- Let's Play / Skills Development Programme
- My Life My Future Campaign
- Awareness Campaign against Teenage Pregnancy Drug Abuse and HIV and AIDS
- Parenting Session

Challenges:

- Poor attendance of forum meetings
- Delay of reports from the Local Municipalities.

RIGHTS OF A CHILD

Every child and young person has rights; no matter who they are or where they live. Nearly every government in the world has promised to protect, respect and fulfil these rights, yet they are still violated in South Africa. Democracy in South Africa came with a growing recognition of children's rights and the establishment of high-level structures to meet government's responsibilities. According to Section 28 of the Bill of Rights "every child has the right to basic nutrition, shelter, health care and social services; as well as the right to be protected from maltreatment, neglect, abuse or degradation". One of the reasons for not achieving these rights is inadequate resources to fully implement laws such as the Children's Act, Child Justice Act and Sexual Offences Act.

Rights of a Child Programmes implemented in FY 15/16:

• **Dress a Child Campaign** is led by the Office of the Mayor, whereby school uniforms are procured and distributed to learners from poor family background. The Mayor would then handover the uniform to the learners with the whole school present.

• **Children's Rights Awareness Campaigns** seek to enlighten children about human's rights and how to exercise them responsibly.

• **International Children's Day** is recognized is observed on 01 June by many countries. The aim of Children's Day is to highlight progress being made towards the realisation and promotion of rights of children.

Take a Girl Child to Work is an annual corporate social investment event, held in South Africa since 2003. Companies involved organise for female high school learners, usually from disadvantaged backgrounds, to spend the day at their place of work on the last Thursday of May.

• **Children's Parliament/Child Ambassador -** National Children's Parliament as a way of saluting Nelson Mandela for prioritizing children on the national development agenda ranked as the key strategic activity in the building of a national child rights movement the Children's Parliament is initiated through a partnership between the Department for Women, Children and People with Disabilities and the NMCF.

EXPANDED PUBLIC WORKS PROGRAMME

The Expanded Public Works Programme (EPWP) provides an important avenue for labour absorption and income transfers to poor households in the short to medium-term. The EPWP employs workers on a temporary or on-going basis either by government, state-owned enterprises, contractors, or other non-governmental organizations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions. The EPWP is divided into three pillars, that is, Social, Environmental and Infrastructure.

Achievements:

The EPWP Programme has had a positive impact socially on the broader community by providing work opportunities and skills development to the beneficiaries of the programme. The programme commenced in the 2015/2016 financial year. From commencement of the project in February 2015 to date until currently 134 beneficiaries have been given work opportunities, through the EPWP, in the environmental, social and infrastructure sector.

The parolees have been given a second chance at life through the programme. This has helped to strengthen relations between Ugu District Municipality and the Department of Correctional Services.

The EPWP District Forum sits every month which gives all the local municipalities a chance to report back on their projects; and to engage with Cooperative Government and Traditional Affairs (CoGTA) and the Department of Public Works. All projects within all sectors are successfully appearing and reporting on the EPWP Reporting System.

Suggestions / Recommendations:

• EPWP specifications should be attached to all tender documents that are awarded by the Ugu District Municipality to ensure compliance and the provision of EPWP statistical information.

• Ugu District Municipality internal Departments annual plans should indicate how they will contribute towards job creation in the support of the EPWP.

Employees: Child Care; Aged Care; Social Programmes					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	01	01	01	00	00
4 - 6	04	06	06	00	00
7 - 9	01	01	01	00	00
10 - 12	00	00	00	00	00
13 - 15	00	00	00	00	00
16 - 18	00	00	00	00	00
Total	**06**	**08**	**08**	**00**	00

Table 3.14.4

COMMENT ON THE PERFORMANCE OF CHILD CARE; AGED CARE; SOCIAL PROGRAMMES OVERALL:

COMPONENT E: ENVIRONMENTAL PROTECTION

INTRODUCTION TO ENVIRONMENTAL PROTECTION

Environmental management is essentially the manner in which natural resources are utilized in order to serve the social, economic and other needs of the present and future generation. The level and extent of protection of natural environmental carrying capacity in order to uphold and maintain the development needs is very important for the realisation of sustainable development.

As a water and sanitation service provider and authority, the municipality relies on natural resources and such must be protected and treasured in order to ensure sustainable service delivery.

3.6 POLLUTION CONTROL

INTRODUCTION TO POLLUTION CONTROL

The municipality is a water and sanitation services authority as well as an atmospheric emissions licensing authority and has invested in the development and maintenance of infrastructure. It is therefore crucial for environmental protection to prioritise environmental impact management and compliance, environmental planning, atmospheric emissions licensing and education awareness. Ensuring compliance and alignment to other applicable measures is been essential for water and sanitation delivery, coastal protection and air quality management.

COMMENT ON THE PERFORMANCE OF POLLUTION CONTROL OVERALL:

There has been no capital expenditure in this area due to budget constraints. The municipality has developed an environmental management program for the compliance of water and sanitation projects as well as to reduce water pollution. UMzimkhulu Mouth Management Plan has been developed in partnership with the Port Shepstone Country Club as an interim measure in the absence of an estuary management plan for the management of hyper salinity, reduction of water pollution and flooding.

The municipality has proceeded with the implementation of the short and medium-term deliverables of the Air Quality Management Plan. Controlled Emitters database has been developed and the municipality is now monitoring emissions from those facilities. The municipality has strengthened its relationships with the relevant stakeholders by establishing the Air Quality Management Forum.

3.6.1 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

INTRODUCTION TO BIO-DIVERSITY AND LANDSCAPE

Biodiversity management is very crucial for ensuring the conservation and sustainability of natural capital in order to sustain ecological goods and services and further support livelihood (food and income), pollution control, tourism, recreation and aesthetics, religious beliefs, research and education and traditional health (medicine).

Employees: Bio-Diversity; Landscape and Other					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0
4 – 6	1	1	3	13	
Total	2	2	4	13	62%

Table3.16.4

Employees: Environmental Management					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	01	01	00	00
4 - 6	4	03	03	00	00
7 - 9	1	01	01	00	00
Total	**8**	**05**	**05**	**00**	**00**

Financial Performance 2015/2016: Pollution Control					R'000
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		16967	17397	1373	-1136%
Expenditure:					
Employees		15359	15808	14934	-3%
Repairs and Maintenance					#DIV/0!
Other		1908	1568	1273	-50%
Total Operational Expenditure	0	17267	17376	16207	-7%
Net Operational Expenditure	0	300	-21	14834	98%

Table 3.15.5

COMMENT ON THE PERFORMANCE OF BIO-DIVERSITY; LANDSCAPE AND OTHER OVERALL:
The following are the strategic areas of focus with regards to the above:

1. Biodiversity management focusing on both fauna and flora.

(a) Problem animal (bush pig) management – Due to the extent of the unending problem of problem animals, viz. bush pigs. Ugu Municipality started the problem animals control initiatives as an opportunity for community development while also controlling the bush with in Vulamehlo and Umzumbe local municipalities. Phase 1 of this initiative focused on training of the affected communities in order to equip them with skills to manage or co-exist with the animals, thereby making them self-reliant and able to transfer the same skills to other communities that are experiencing the same problem. For Phase 2 the district municipality has partnered with local stakeholders (local farmers, amaphisi, etc.) to find more local solutions on the problems. The intention is to continue with the pilots until a strategy is developed and a more sustainable methodology is established.

2. Coastal management programmes

(a) The Working for the Coast project new cycle (2015/18 Phase 3) is under implementation by the Department of Environmental Affairs. The project, which covers the coastal belt across all 3 coastal local municipalities, comprises dune rehabilitation (planting of indigenous trees), invasive alien plants control (spraying, cutting, hand pulling, etc.), and the development of a coastal management plan/programme, beach cleaning (litter clearing, estuary cleaning etc.), maintenance and upgrading of existing tourism infrastructure on beaches. 87 employment opportunities across all 3 coastal municipalities have been created.

(b) Coastal Management Programme was developed and approved by Council in December 2015. In 2016/17 it will be in its first year of implementation.

3. Climate change response

When COP17/CMP7 was hosted in Durban – South Africa - in 2011 it provided the ideal opportunity for local government to address the "adaptation deficit" in the discussions. The outcome was the Durban Adaptation Charter (DAC) – the development of which was facilitated by a National and Local Government coalition. Currently the DAC has over 1100 signatories in 35 countries and Ugu District Municipality and some of its local municipalities are some of those signatories. The mission/purpose of the DAC is to, among others, promote local government action that advances climate adaptation, identify core actions associated with advancing adaptation, emphasize action as opposed to negotiation as well as demonstrate self-leadership that is Africa-based and led. As a result signatories of the DAC are predominantly from developing country cities. Two of the deliverables of the DAC were the **(a)** development of the Regional Hubs and **(b)** Regional workshops for capacity building integration and one of the outcomes of the regional hubs was the establishment of the Central KwaZulu-Natal Climate Change Compact (CKZNCCC), based on the South-East Florida model.

Ugu District Municipality and some of its local municipalities are signatories to the (CKZNCCC). This is a local network for sharing knowledge and best practices on issues of climate change. It enables municipalities to initiate projects, share information on the existing ones, distribute information on funding and training opportunities, conferences, workshops, etc. With respect to training opportunities, officials from the Ugu District Municipalities went through the International Centre for Climate Change and Development (ICCCAD) fully funded short course on climate change in Dhaka, Independent University of Bangladesh between the 2014 and 2015 calendar years.

3.6.2 INTRODUCTION TO EMPLOYEE HEALTH AND WELLNESS

A Hazard Identification and Risk assessment was conducted at the Bhobhoyi Purification Plant on the 21 January 2016, and frequent hazards and risks were identified and are summed up as follows:

Table 3.5.6.1: Health and Safety in Workplace rating

Source: Ugu District Municipality Corporate Services, 2016

Identification	Rating
Chlorine facility – SANS 0298 (not all installations compliant)	**High Risk**
Chemical Waste Management Prrogramme	**High Risk**
Electrical Issues – risk assessment identified numerous risks	**Med – High Risk**
Housekeeping – risk assessment identified numerous risks	**Med Risk**
Perimeter Fencing – Access Control	**Med Risk**
Wearing of Personal Protective Equipment	**Med – High Risk**
Unsafe Vehicles	**High Risk**
Open manhole covers	**Med – High Risk**

Based on Risk Assessments conducted, the following graphical analysis is applicable;

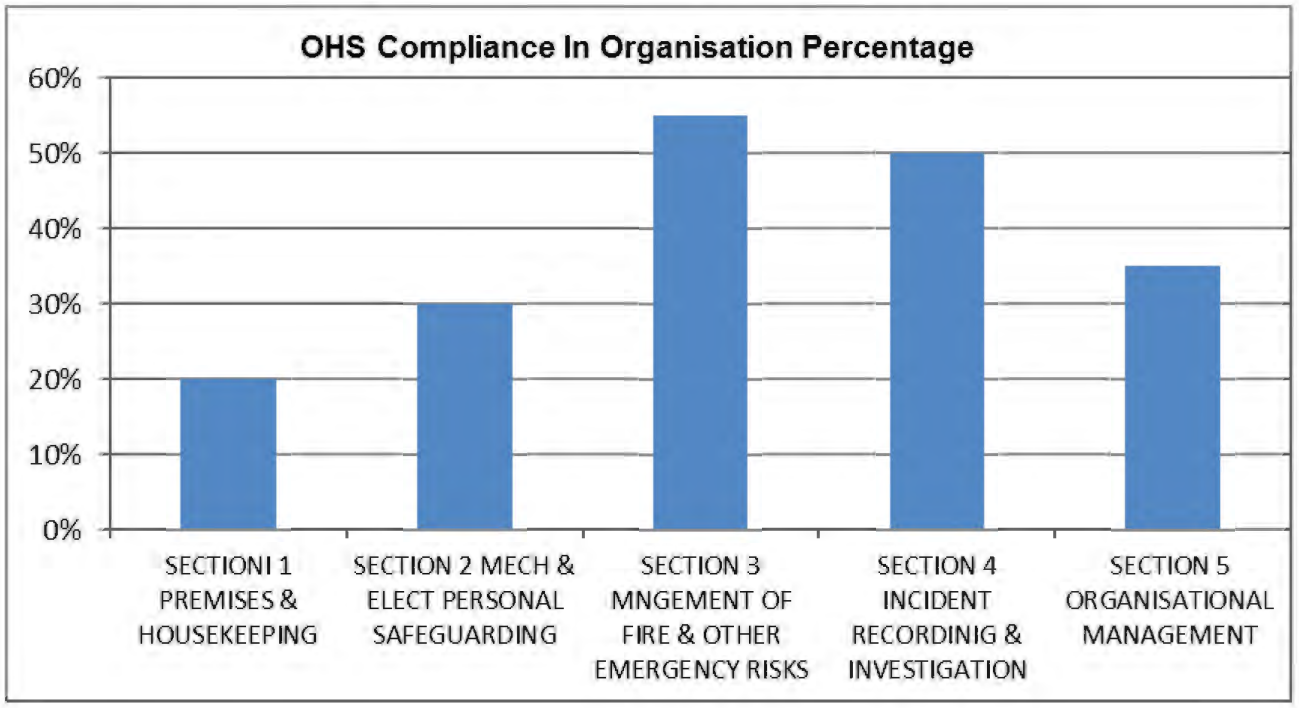


Figure 3.5.6.1: Ocupational Health Strategy Compliance

Source: Corporate Services, 2016

3.1.1.1.Analysis of Employee Health and Wellness

Employee Health and Wellness is the promotion and maintenance of the highest degree of physical, mental, spiritual and social well-being in all occupations; prevention of illness caused by working conditions; protection of employees in their employment from risks resulting from factors adverse to health; placement and maintenance of employees in an occupational environments adapted to optimal physiological and psychological capabilities; and the adaptation of work to employees and of each employee to his/her job. The explicit aim of the EHWP is to improve the quality of life of all employees by providing support and helping to alleviate the impact of everyday work, personal and family problems. The focus the programme and role of the human resources department is summarised in the table 3.5.6.1 below.

Figure 3.5.6.1: Ocupational Health Strategy Compliance

Source: Corporate Services, 2016

Focus Areas	Role of HR
• HIV/AIDS Management • Chronic Diseases Management • Stress / Mental Health • Incapacity due to ill health • Medical Awareness and Check-ups • Promotion of Health, Good Nutrition • Impact of Alcohol Abuse • Financial Wellness • Spiritual Wellness Management	• Creating awareness • Provision of counselling to employees • Provision of organizational support services and education programmes • Provision of critical Incident Response Programs (i.e. assist all employees to deal with incidents overwhelming their ability to cope like robbery, natural disasters, accidents sudden deaths or violent incidents at work.") through referrals to professional bodies • Referral for professional counselling, treatment

3.1.1.2. Analysis of EAP Provision

The total number of employees participating in the EAP Programme is 308 out of the total of 863 employees which is 35.6% of the total workforce. This represents only referred cases where 251 were self-referrals and 57 being formal referrals. The referrals per department are summarized in Table 3.5.6.2.1 below.

Table 3.5.6.2.1: EAP Referrals per Department

Source: Ugu District Municipality Corporate Services, 2015

Department	Number/ percentage
Office of the Municipal Manager	0 (0%)
Infrastructure & Economic Development	0(0%)
Corporate Services	4 (7%)
Water Services	42 (74%)
Budget and Treasury	11 (19%)

Post level 8-18 most participants	

In terms of participating in the medical aid scheme only 523 participate as shown in the table below.

Municipal Manager's Office	Corporate Services	Treasury	Infrastructure & Economic Development	Water Services
33	52	75	35	328

During the 2015 calendar year, the recorded terminations due to ill health (Medical Boarding) was five (5) all from water services.

The role of supervisors needs to therefore be reinforced and ensure that they are aware of the programme and that it is clearly defined to them. The cooperation of supervisors in the EAP can potentially reduce the number of ill-health terminations including deaths associated with ill-health. With the majority of employees being within the Water Service Provision function more resources should be channeled through to them.

Employees: Employee Health and Wellness					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0
4 - 6	2	2	2	0	0
7 - 9	1	1	1	0	0
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	5	5	5	5	

Table 3.17.4

3.6.3 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

The provision of safe foods and food products from the point of handling, storage, transportation and preparation has constantly improved which could largely be attributed to food safety and control in terms of Regulation R962. Informal and formal food outlets, events caterers are vigilantly monitored to ensure compliance. Intersectoral collaboration with Provincial and other stakeholders has resulted in desired outcomes as all imported foods including sea foods are inspected at district level. The District also participates in Provincial Food Runs where food products are bacteriological analyzed. Unsound food is detained and condemned.

SERVICE STATISTICS FOR HEALTH INSPECTION

SERVICE STATISTICS FOR HEALTH INSPECTION, Etc.		
OBJECTIVE	**TARGETS**	**ACTUAL**
Water quality monitoring	800	1010
Sanitation compliance	10	50
Workshops, awareness and campaign sessions	16	473
National /Provincial Food Run	2	2
Food handlers' education workshops sessions	8	71
Food Premises monitoring	320	796
Pauper burials	100%	100%
Building Plans	100%	100%
Health compliance non- food premises	320	705
Communicable diseases	100%	100%

Table 3.19.2

Health Inspection etc. Policy Objectives Taken From IDP									
Service Objectives	**Outline Service Targets**	**Year 0**		**Year 1**			**Year 2**		**Year 3**
		Target	**Actual**	**Target**		**Actual**	**Target**		
Service Indicators **(i)**	**(ii)**	***Previous Year** **(iii)**	**(iv)**	***Previous Year** **(v)**	***Current Year** **(vi)**	**(vii)**	***Current Year** **(viii)**	***Current Year** **(ix)**	***Following Year** **(x)**
Service Objective xxx									
Water quality monitoring	No. of samples tested	400	381	400	800	1010	1000	1000	1010
Food safety	No of food premises inspected	160	203	160	320	796	320	320	350
Food handlers workshop	No of food handlers workshop	4	4	4	8	71	16	16	18
	conducted								
Sanitation compliance	No of projects attended for compliance	16	16	16	10	50	10	10	12

Table 3.19.3

ENVIRONMENTAL HEALTH
INTRODUCTION TO HEALTH

Environmental Health Services comprises those aspects of human health, including quality of life that are determined by physical, chemical, biological and social factors in the environment, all of which have a detrimental effect on an individual"D5s physical, social and mental well- being. The nine key competencies of Environmental Health are: water quality monitoring, food control waste management, health surveillance of premises, environmental pollution control, surveillance and prevention of communicable disease, vector control, disposal of the dead and chemical safety. These competencies were included in the SDBIP, for monitoring and implementation by the EHPs and EHAs.

In terms of SANS 241 of 2015, it is obligatory that water for drinking purpose, contain zero ecoli. To this end, the monitoring of water received top priority, and EHPs embarked on a systematic, intensive and methodical monitoring campaign, whereby water from protected sources, such as bore-holes, etc were sampled regularly. EHPs are working very closely and in unison with the Water Services Authority, ensuring that water was safe for human consumption and, final effluent emanating from waste water treatment works, comply with the necessary legislation.

3.11 FOOD CONTROL, COMMUNICABLE DISEASE, HEALTH AND HYGIENE EDUCATION.

3.11.1 FOOD SAFETY

Izimbizos, including mayoral and presidential, were held throughout the entire Ugu District. The visibility of EHPs, who"D5s task had been to educate and sensitize all food caterers, ensured that food served to patrons, was safe, and that no incidences of food poisoning case had been reported. EHPs also participated in the Provincial food runs, which necessitated the taking of food samples at various food outlets in the District.

Significant progress has already been made regarding the compilation of the Public Health Bylaws. The by-laws are now in the public participation stage and, its eventual implementation will undoubtedly greatly assist EHPs, in ensuring compliance in the entire Ugu District. A comprehensive food assessment template has already been developed and implemented at food outlets, as a precursor to the implementation of the Public Health By-laws.

3.11.2 COMMUNICABLE DISEASE

All communicable disease notifications are reported and investigated instantaneously to prevent further spread of the disease, an outbreak or even death. Emerging disease such as diphtheria, rabies etc were recently reported and investigated in our district. Waterborne diseases are also reported by health facilities for our interventions. Environmental Health plays a pivotal role in working jointly with Communicable Disease Control to curb diseases. Our disease profiling system has played a significant role in terms of our interventions to curb diseases. Health and hygiene education is intensified by our health promotion unit and water is tankered to high risk areas to avert waterborne disease.

3.11.3 ENVIRONMENTAL HEALTH AND HYGIENE EDUCATION

Environmental Health and Hygiene education is promoting health awareness and understanding, which in turn leads to environmental and behavioral improvement of our communities. Communities are empowered through heath education to identify, prevent, control and manage water, sanitation related diseases and other environmental health factors.

SERVICE STATISTICS FOR HEALTH INSPECTION

SERVICE STATISTICS FOR HEALTH INSPECTION, Etc		
OBJECTIVE	**TARGETS**	**ACTUAL**
Water quality monitoring	900	1360
Sanitation compliance	20	21
Workshops, awareness and campaign sessions	44	46
Create awareness at food outlets and industries on impact of fats and oils at WWTW	140	141
Microbial Swabbing	100	0
Food handlers education workshops sessions	8	10
Food Premises monitoring	700	717
Pauper burials	100%	100%
Building Plans	400	603
Health compliance non- food premises	320	350
Communicable Disease Surveillance	100%	100&
Surveys on WWTW	184	236
Communicable diseases Control	100%	100%
Waste Water Treatment Works	184	236
Communicable Disease Health and Hygiene Education	300	350
Chemical Safety	120	137
PHAST Methodology	60	76
Water and Sanitation	300	321

Table 3.19.2

Health Inspection and Etc Policy Objectives Taken From IDP									
Service Objectives	**Outline Service Targets**	**Year 0**		**Year 1**			**Year 2**		**Year 3**
		Target	**Actual**	**Target**		**Actual**	**Target**		
Service Indicators		***Previous Year**		***Previous Year**	***Current Year**		***Current Year**	***Current Year**	***Following Year**
(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**(vii)**	**(viii)**	**(ix)**	**(x)**
Service Objective xxx									
Water quality monitoring	No. of samples tested	800	1010	800	900	1360	900	900	1200
Food safety	No of food premises inspected	320	796	320	700	717	700	700	700
Food handlers workshop	No of food handlers workshop conducted	8	71	8	8	10	8	8	40
Sanitation compliance	No of projects attended for compliance	10	50	10	20	21	20	20	100

Table 3.19.3

PERFORMANCE OF HEALTH INSPECTIONS OVERALL

Generally all objectives in terms of inspections conducted were achieved

Employees: Health Inspection etc.					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	4	4	0	0
4 - 6	18	18	18	0	0
7 - 9	8	8	8	0	0
10-12	5	5	5	0	0
13-15	0	0	0	0	0
16-18	0	0	0	0	0
Total	35	35	35		
					T 3.19.4

INTRODUCTION TO SECURITY & SAFETY

Information to be provided in February 2017

3.6.4 DISASTER MANAGEMENT

INTRODUCTION TO DISASTER MANAGEMENT

The Disaster Management function within the district is coordinated in partnership with the six Local Municipalities, namely: Umdoni, Ezinqoleni, Umzumbe, Vulamehlo, Hibiscus Coast and Umuziwabantu.

The area covered by the District Municipality is 5046 km? and includes a coastline of some 112 kilometers with 42 estuaries. The topography of the district is severe, characterised by extensive river gorges and hilly areas. These characteristics make the development of infrastructure difficult and costly as well as making rescue operations difficult in the event of an emergency.

The District currently promotes an integrated and multi-disciplinary approach to disaster management in the municipal area and facilitates disaster management planning activities and the implementation of disaster risk reduction and preparedness programmes with special emphasis on prevention and mitigation.

DISASTER MANAGEMENT PRIORITIES

- Establishment of the New District Disaster Management Centre
- Institutional Capacity in Disaster Management & Fire Service within both District and Local Municipalities.
- Risk Assessment and Risk Reduction

Status of the Disaster Management Centre

The District established a Disaster Management Centre in 2005, which specialises in issues concerning disasters and disaster management. The centre is promoting an integrated and coordinated approach to disaster management, with special emphasis on prevention and mitigation, by the department and other internal units within the administration of the District and Local Municipalities.

With the support from the Provincial Disaster Management Centre, the District has managed to complete Phase 1 of the construction of the District Disaster Management Centre which was completed in April 2015 and planning and implementation for Phase 2 is underway

The satellite centre is situated in Umzinto area and functioning very well. It also provides support to the nearby Local Municipalities which are Umzumbe and Vulamehlo. The satellite centre it also utilized as a training centre for fire fighters and volunteers.

New building- Disaster Management Centre

Details of the Current DM-Centre: -

- The centre is located at R102 Ext 2, Marburg in the Hibiscus Coast municipal area
- The centre has two floors with 8 offices, kitchen, boardroom that can accommodate 50pp, reception area, camera room, server room and control room.
- We are currently using four (4) lockable stalls located at the Ugu Fresh Produce Market for stock keeping.

Operational Functions

The Disaster Management is placed under the Portfolio Committee on Sound Governance and Human Resources, where the committee takes decisions and further makes recommendations to the Executive Committee and Council.

District Disaster Management Advisory Forum (DDMAF)

The District Disaster Management Advisory Forum is fully operational and was formed in terms of the Disaster Management Act No. 57 of 2002, Section 51 coupled with Section 42, which require the municipality to establish a multi-disciplinary structure consisting of representatives from the District Municipality, all Category B municipalities within the district, provincial departments who have a role to play in disaster management and have district offices within the area, senior representatives of national departments within the area and other role-players i.e. NGOs in the district.

The Forum is being utilised as "a body in which a municipality and relevant disaster management role players in the municipality consult one another and coordinate their actions on matters relating to disaster management." The Forum meets at least four times per annum. All 6 Local Municipalities also have their Local Disaster Management Advisory Forum.

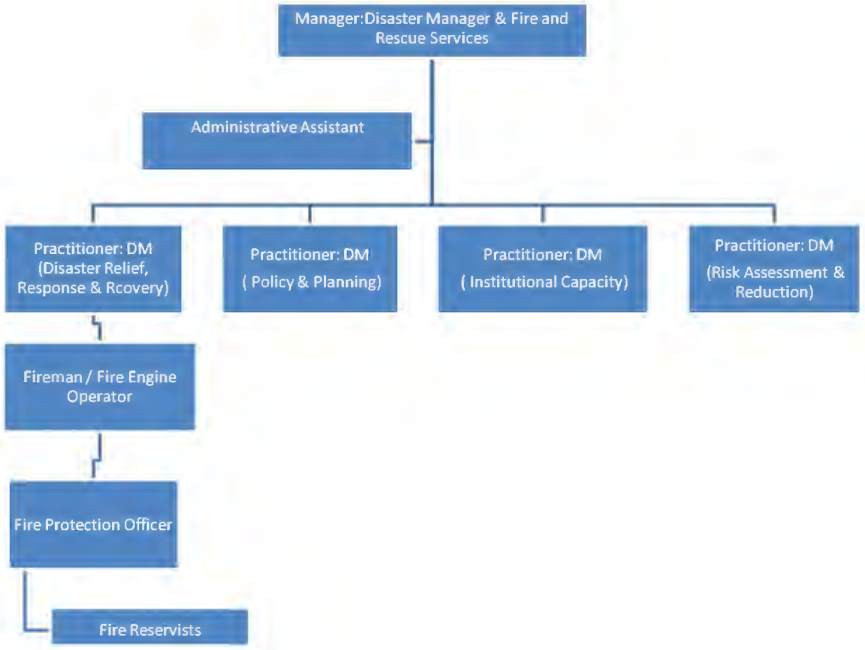
District Practitioners Forum Meetings

The District together with a CoGTA Support Team as well as the Local Municipalities convenes the District Disaster Management Practitioners Meetings. The Practitioner's Forum is a platform planning group with the main objective being the coordination of the daily operations of disaster risk management. This group allows the municipalities to engage with one another and share their experiences, lessons learnt and planning exercise. At the same time, it enables the district to coordinate the functions and operations on a district level to ensure that there is no duplication of activities and all aspects of disaster management are dealt with by a responsible authority.

The District Practitioners Forum meetings are convened bi - monthly at the Disaster Management Centre where all Local Municipality Practitioners participate and report on Disaster Management programs and projects.

District Practitioners Meetings

DISASTER MANAGEMENT INSTITUTIONAL CAPACITY



In terms of personnel, the current structure is as follows:

- Manager Disaster Management
- Fire Protection Officer
- 3 x Disaster Management Practitioners (1 Vacant)
- 1 x General Assistant
- 1 x Fire Engine Operator
- 6 x Trainee Fire Fighters
- 3 x CoGTA Support Team members

STATUS OF DISASTER MANAGEMENT POLICIES

The District has the following adopted plans in place: -

- District Disaster Management Plan
- Disaster Management Sector Plan
- A Policy Framework for Disaster Risk Management
- Disaster Management Bylaw
- Fire and Rescue Bylaw

The District Fire and Rescue Bylaw, Disaster Management Bylaws were developed and adopted by Council. The bylaws were published in the Provincial Extra Ordinary Gazette. The district further supports the local municipalities with the development of their disaster management plans and these have been completed in all six LMs.

READINESS TO DEAL WITH A DISASTER INCLUDING FINANCIAL CAPABILITIES

The District Municipality in partnership with the family of Local Municipalities is ready to deal with disasters. Hibiscus Coast and Umdoni Municipality have 24hr emergency Call Centers that receive calls reporting emergency incidents. The Call Centres also support the other local municipalities who do not have Call Centers by recording incidents reported and allow for the necessary response. The Control Centers are operating on a shift system, with two controllers on each shift. Each local municipality has one or two staff members dedicated to disaster management duties and available for 24 hours.

STATUS OF DISASTER RISK ASSESSMENTS UNDERTAKEN

Ward Based Risks Assessments and prioritization were conducted in all six local municipalities within the District. In order to address the IDP objective on mitigation against disasters, Ugu District Municipality adopted a strategy on municipal ward based risk assessment which resulted into prioritisation and implementation of the project on hazard identification and risk prioritisation. The Ugu family of Municipalities working with communities of Ugu have identified the below listed risks and prioritised them accordingly. Emanating from these risks, projects towards mitigating same were identified and integrated into the IDP.

The Disaster Management Ward Based Risk Assessment and the Risks were prioritized per ward within 6 LMs in Ugu District.

Risk Profile per Local Municipality

Ugu	Ezinqoleni	Umdoni	Hibiscus Coast	Umuziwabantu	Umzumbe	Vulamehlo
	Fire(Veld/Structural)	Drought	Fire(Veld/Structural)	Fire(Veld/Structural)	Fire(Veld/Structural)	Fire(Veld/Structural)
	Drought	Fires	Floods	Drought	Drought	Drought
	Water Pollution	Floods	Drought	Floods	Floods	Floods
	Human diseases	Cholera	Hail Storms	Lighting/Thunderstorms	Lighting/Thunderstorms	Cholera
	Floods	Water pollution	Tidal Wave	Air pollution	Deforestation	Lightning/Thunderstorms
	Lightning/Thunderstorms	Strong Winds	Illegal Connection	Hazmat	Hazmat	Wild Pigs
	Illegal Connections	Rabies	Strong Winds	Water pollution	Waste management	Rabies
	Air Pollution	Tidal waves	Lightning/Thunderstorms	Wind storm	Human diseases	Severe storm
	Wild Pigs	Severe storms	Water pollution	Human Diseases	Water pollution	Wind storm
	Hazmat	Air pollution	Land Degradation	Rabies	Severe storm	Water pollution

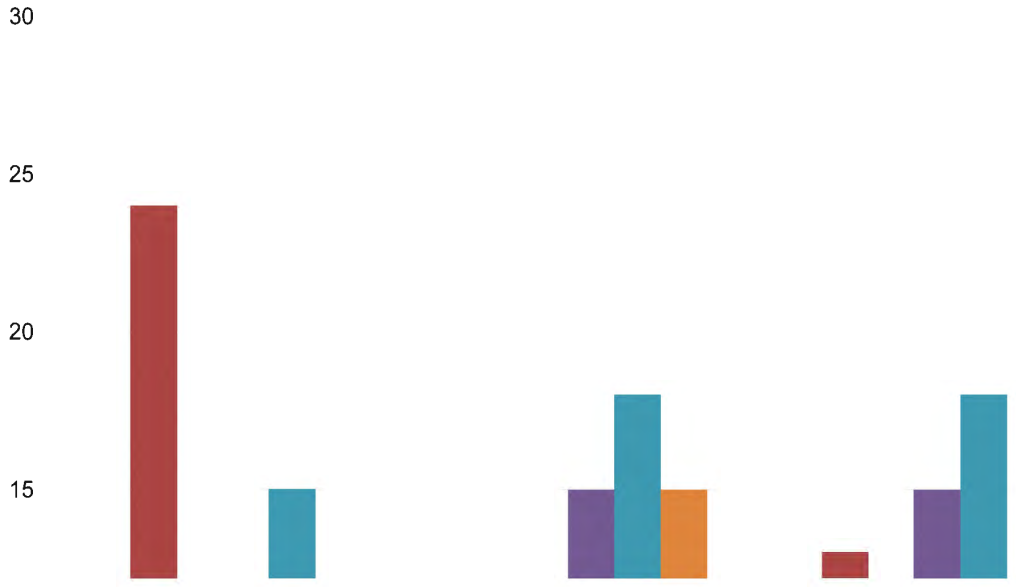
INCIDENTS OCCURRED DURING THE YEAR

The district experienced the following incidents in the 2014/15 financial year:

- Fires: structural
- Veld fires
- Heavy rains and
- Strong winds
- Drought
- Lightning

INCIDENT STATS PER LOCAL MUINICIPALITY

	Ezinqoleni	Hibiscus Coast	Umdoni	Umuziwabantu	Umzumbe	Vulamehlo
	Strong Winds –SW; Veld Fires – VF; Heavy Rains – HR; Lightning – L; Fire - F					
	SW, SF, HR	SF, HR, SW, ST, L	SF	SF, SW, VF, L, HR	SF, HR, SW, ST	SF, SW, HR, ST
July – September 2015	2	24	0	4	15	8
October – December 2015	6	9	5	15	18	15
January – March 2016	6	13	5	15	18	11
April – June 2016	4	11	0	6	14	7
TOTAL	18	57	10	40	65	41



SUMMARY OF INCIDENTS

9. DISTRICT FIRE SERVICES

The District identified and prioritized **four (4) Local Municipalities** within the District to be assisted with Firefighting shared services namely: -

- Umuziwabantu LM
- Ezinqoleni LM
- Umzumbe LM and
- Vulamehlo LM

Each Local Municipality was allocated a fire truck (except Umuziwabantu) and a total funding of R317 162.50 was allocated per Local Municipality which was utilized towards the purchase of the necessary fire equipment, protective clothing and for the appointment of a minimum of four (4) Trainee Fire Fighters per Local Municipality.

DISTRICT FIRE SERVICES

The district municipality is currently in the process of establishing a fully functional Fire and Rescue Unit. These are the approved positions in line with the organogram: -

(a)Fire Engine Operator
(b)Fire Protection Officer
(c)Reservists

The position of the Fire Engine Operator has been filled in line with the approved organogram. The District has further proposed District's Reservist who will be supporting the District Fire Team and serving as a backup to Local Municipalities. The district has seven (7) trainee fire fighters who will also form part of the reservist. These trainees are currently undergoing extensive training which comprise of theory and practical.

10.1 Local Municipalities Fire Services

- The district further provided basic training for the fire fighter trainees at a local Level.
- The purpose of the training was to provide the new recruits with an insight of Fire and Disaster Management.
- The training provided included Basic Fire and Disaster Management training, Hazmat Awareness and Incident Management.
- The Provincial Disaster Management Centre supported the district in rolling out some of the trainings.

11. COMMENT ON THE PERFORMANCE OF DISASTER MANAGEMENT

(1) Annual Targets
In relation to annual performance targets, the disaster management team achieved 100% of all set targets.

(2) Provision of Fire and Rescue Services
The District Disaster Management Office assisted with the establishment of Fire Services units for both the district and 4 Local Municipalities and further ensured provision of necessary equipment and vehicles, including personnel.

(3) Ward Based Structures and EPWP
Established initiatives that are directed at mitigating disaster risks including the establishment of ward based structures. The project was done as an Extended Public Works programme, running for a period of 6 months. Although this project was meant for capacitating the community while reducing the disaster risks, through this initiative 40 job opportunities were created;

While acquiring skills through this program volunteers also earned a salary that allows them to support their families. This program has also assisted Umzumbe Local Municipality to respond effectively and efficiently hence improved service delivery enormously.

(4) Emergency Relief Stock
The District Disaster Management Team also appointed a panel of service providers for emergency relief stock provision to the communities that are affected by disasters. A number of affected communities and households received support through provision of blankets, shelter (wendy houses) and lightning conductors.

(5) Education, Training and Public Awareness
To reach a larger audience and make necessary impact in the community we have printed awareness material and further translated such in vernacular language. i.e. Zulu as the district is mainly dominated by isiZulu speaking communities.

(6) Construction of Disaster Management Centre
The District implemented key projects including the construction of the Disaster Management Centre, planning for the implementation of phase 2 of the Centre is underway;

						verified	/ PDP quarterly								
CS 24					MTID 8	Percentage of Ugu vehicles physical verification concluded	frequency of Ugu vehicles physical verification -quarterly	quarterly	100%	0%	100%	100%	Achieved	N/A	Signed off verification report of vehicles verified	GM: CS
CS 25					MTID 9	Percentage implementation of driver competency testing	100%	100%	100%	0%	100%	100%	Achieved	N/A	Signed off driver competency testing assessments	GM: CS
CS 26					MTID 9	Date of workshop with Secretariat staff for confidentiality awareness held	N/A	N/A	30-Sep-15	N/A	30 September 2015	15 July 2015	Achieved	N/A	Attendance Register Programme	GM: CS
CS 27		CAPACITY BUILDING	To build and Strengthen the administrative and institutional capacity of the	Municipal Transformation and Institutional Development Strategy	MTID 9	Date of signing of confidentiality, non-disclosure agreements by all secretariat staff	N/A	N/A	30-Sep-15	N/A	30 September 2015	15-Jul-15	Achieved	N/A	Signed agreements	GM: CS
CS 28					MTID 9	Frequency updates of the intranet with adopted	N/A	N/A	Quarterly	N/A	Quarterly	Quarterly	Achieved	N/A	Copy of Intranet publication	GM: CS

						minutes of; Council EXCO Portfolio Committees										
CS 29					MTID 9	Frequency of updates to the website with Council minutes being published as per legislation	N/A	N/A	Quarterly	N/A	Quarterly	Quarterly	Achieved	N/A	Copy of website publication	GM: CS
CS 30			municipality		MTID 9	Date training and Awareness of the TOR's for each Portfolio Committee to Secretariat Staff held	N/A	N/A	31-Dec-15	N/A	31 Dec 2015	15 July 2015	Achieved	N/A	Attendance Register Programme	GM: CS
CS 31					MTID 9	Date Workflow development of the Secretariat business processes completed	N/A	N/A	31-Mar-16		31 March 2016	22 Feb 2016	Achieved	N/A	Signed Workflow Attendance Register of training	GM: CS
CS 32					MTID 9	Date editing of Minutes and urgent	N/A	N/A	31-Dec-15	N/A	31 December	22 August 2015	Achieved	N/A	Procedure Guide	GM: CS

WS-4					BSD 3	Number of HH with access to waterborne sanitation services	N/A	N/A	146	0	146	146	Achieved	N/A	Malangeni and Harding sanitation close out reports.	GM: WS
					BSD 3	Percentage Eradication of bucket system in households	100% eradication of the bucket system	0% achieved	4.67%	0	4.67 (146)	4.67 (146)	Achieved	N/A	Malangeni and Harding sanitation close out reports.	GM: WS
WS-5		BASIC SERVICES	To provide access to sustainable quality drinking water and sanitation services		BSD 4	Percentage reduction of non-revenue water in line with non-revenue water strategy	2%	3%	2	0	2	2.4 (25.6)	Achieved	N/A	Monthly Water Balance Report	GM: WS
WS-6				Basic Services Strategy	BSD 4	Number of Meters replaced	4260	3182	1500	0	1500	1525	Achieved	N/A	Monthly Report	GM: WS
WS-7					BSD 5	Percentage compliance of drinking	99.5% compliance of	94.16	99.50 %	4.20%	93	95.03	Achieved	N/A	Independent Water Quality	GM: WS

						items procedure guide is developed					2015				Training Monthly report to Extended MANCO	
CS 33		CAPACITY BUILDING	To build and Strengthen the administrative and institutional capacity of the municipality	Municipal Transformation and Institutional Development Strategy	MTID 9	Date by which the implementation of projecting of Agenda, Minutes and Annexures at the meeting for all internal meetings is implemented	N/A	N/A	30-Mar-16	N/A	30-Mar-16	24 Aug 2015	Achieved	N/A	Attendance Register of workshop Monthly Report	GM: CS
CS 34					MTID 9	Date by which the implementation Educating and Awareness of paperless	N/A	N/A	30-Jun-16	N/A	30 June 2016	20-Nov-15	Achieved	N/A	Attendance Register of the training Presentation	GM: CS

						meetings for Internal Departmental meetings; OMM CS IED WS Treasury is implemented										
CS 35					MTID 9	Frequency of compliance to legislative requirements in respect of ~~translated~~ documents into isiZulu	N/A	N/A	31-Dec-15	N/A	31-Dec-15	30 Sept 2015	Achieved	N/A	budget and IDP	GM: CS
CS 36					MTID 9	Percentage of completed ad-hoc translation services concluded within 60 days	N/A	N/A	100%	N/A	100%	100%	Achieved	N/A	Monthly report	GM: CS
CS 37					MTID 9	Date by which a Resolutions Committee is established	N/A	N/A	30-Sep-15	N/A	30 Sept 2015	02-Sep-15	Achieved	N/A	Letters of appointments	GM: CS

CS 38					MTID 9	Number of meetings to be held for resolutions committee; COUNCIL EXCO MANCO	N/A	N/A	7	0	4	7	Achieved	N/A	Attendance Register Resolutions Register	GM: CS
CS 39		CAPACITY BUILDING			MTID 10	Number of Security Awareness Committee meetings	N/A	N/A	4	0	4	4	Achieved	N/A	Minutes of the Security Awareness meeting Attendance Register	GM: CS
CS 40					MTID 10	Number of monitoring and compliance with service providers to contracts sessions completed	N/A	N/A	4	0	4	4	Achieved	N/A	Attendance Register Minutes Invoices	GM: CS
CS 41			To build and Strengthen the administrative and	Municipal Transformation and Institutional Development	MTID 10	Date by when surveillance Cameras at entrances and exits of 5 sites will be installed	N/A	N/A	28-Feb-16	N/A	28 February 2016	07-Dec-15	Achieved	Tribunal	Award letter	GM: CS

CS 42		CAPACITY BUILDING	institutional capacity of the municipality	Strategy	MTID 11	Frequency of monitoring of file plan compliance	N/A	N/A	quarterly	n/a	Quarterly	Quarterly	Achieved	N/A	12 months' statistics of usage per dept. per month	GM: CS
CS 43					MTID 11	Number of submission of file plan amendments to KZN Provincial Archives is done	N/A	N/A	2	0	2	2	Achieved	N/A	Letter to KZN Archives	GM: CS
CS 44					MTID 12	Date by when application for destruction authorities to KZN Archives is done	N/A	N/A	31-Dec-15	N/A	31-Dec-15	04-Dec-15	Achieved	N/A	Letter of KZN archives	GM: CS
CS 45					MTID 12	Frequency of EDMS system usage monitoring	Date EDMS is available 2015/03/01	23-Jan-15	Quarterly	N/A	Quarterly	Quarterly	Achieved	N/A	Usage Report	GM: CS
CS 46					MTID 13	Percentage compliance response taken to respond to	Date PAIA policy reviewed	27-Nov-14	100%	N/A	100%	100%	Achieved	N/A	Monthly report Schedule of received	GM: CS

						PAIA requests received within 30 days	2015/01/01								schedule	
CS 47					MTID 13	Date by which submission of Section 32 PAIA report submission to Human Rights Commission	N/A	N/A	30-Apr-16	N/A	30-Apr-16	26-Apr-16	Achieved	N/A	Section 32 Report	GM: CS
CS 48					MTID 13	Date by when Publication of PAIA manual in 3 languages is available	N/A	N/A	31-Mar-16	N/A	31-Mar-16	01-Feb-16	Achieved	N/A	PAIA Manual in 3 languages	GM: CS
CS 49			To build and Strengthen the administrative and institutional capacity of the municipality	Municipal Transformation and Institutional Development Strategy	MTID 14	Number of Knowledge Management Training / Awareness sessions held	N/A	N/A	4	0	4	4	Achieved	N/A	Programme Attendance Register	GM: CS
CS 50					MTID 15	Date by when the Building Maintenance Plan is completed	N/A	N/A	30-Sep-15	N/A	30-Sep-15	30-Sep-15	Not Achieved	N/A	Updated Maintenance plan with expenditure	GM: CS

CS 51		CAPACITY BUILDING			MTI D 16	% Transfer of land handed over to Conveyancers (167)	N/A	N/A	100%	100%	20%	0%	Achieved	T/F of the unit to OMM - Legal Services	Attorney/Conveyancers reports	GM: CS
CS 52					MTI D 16	Date by when Ingonyama Trust Leases and annual rental payments are finalised	N/A	N/A	30-Jun-16	N/A	30-Jun-16	20-Jun-16	Achieved	N/A	Invoices Lease register	GM: CS
CS 53					MTI D 17	Percentage expenditure of development of offices for Treasury at Oslo Beach site	N/A	N/A	100%	N/A	100%	100%	Not Achieved	N/A	SCM Documentation Architects report & drawings	GM: CS
CS 54					MTI D 17	% Completion of Park Rynie Standby quarters	N/A	N/A	100%	90%	100%	10%	Achieved	Award made, contractor started in May 2016	Architects report and Letter of award	GM: CS

CS 55					MTID 17	Date by when Connor street garages are converted to training facility	N/A	N/A	31-Mar-16	N/A	31-Mar-16	31-Dec-15	Achieved	N/A	Close out report Invoices	GM: CS
WS -1	BASIC SERVICE DELIVERY	BASIC SERVICES	To provide access to sustainable quality drinking water and sanitation services	Basic Services Strategy	BSD 1	Number of HH with access to basic WS	2200	2453	1300	0	1300	1303	Achieved	N/A	Close out reports (Mhlabatshane and Maphumulo reticulations)	GM: WS
WS -2					BSD 2	Kilometres of pipeline constructed	25 km's of pipeline replaced	8km of pipeline replaced	12	0	12	18.92	Achieved	N/A	Last Payment certificate showing the summary of work done.	GM: WS
WS-3					BSD 3	Number of Household with access to VIP sanitation	800 HH with access to VIP sanitation	0 HH with access to VIP sanitation	300	0	300HH with access to VIP sanitation	347	Achieved	N/A	Reconciliation Report	GM: WS

WS-4					BSD 3	Number of HH with access to waterborne sanitation services	N/A	N/A	146	0	146	146	Achieved	N/A	Malangeni and Harding sanitation close out reports.	GM: WS
					BSD 3	Percentage Eradication of bucket system in households	100% eradication of the bucket system	0% achieved	4.67%	0	4.67 (146)	4.67 (146)	Achieved	N/A	Malangeni and Harding sanitation close out reports.	GM: WS
WS-5		BASIC SERVICES	To provide access to sustainable quality drinking water and sanitation services		BSD 4	Percentage reduction of non-revenue water in line with non-revenue water strategy	2%	3%	2	0	2	2.4 (25.6)	Achieved	N/A	Monthly Water Balance Report	GM: WS
WS-6				Basic Services Strategy	BSD 4	Number of Meters replaced	4260	3182	1500	0	1500	1525	Achieved	N/A	Monthly Report	GM: WS
WS-7					BSD 5	Percentage compliance of drinking	99.5% compliance of	94.16	99.50 %	4.20%	93	95.03	Achieved	N/A	Independent Water Quality	GM: WS

						water to prescribed process risk indicators of SANS241:2015	to SANS241:2011								Report	
WS-8					BSD 6	Percentage compliance of Waste water to affluent quality in terms of General Authorisation Standards	90%	78%	99.5	26.01 %	90	73.09	Not Achieved	Detailed process audits are being done in the whole purification process and the findings will be addressed using the maintenance tender. The mechanical and electrical failures will be addressed using the SLA with the M&E service providers	Independent Water Quality Report	GM: WS

WS -9					BSD 6	Number of Waste Water Risk Abatement Plans developed	22	0	15	5	15	10	Not Achieved	The risk abatement plans were developed and will be adopted in the sitting of the new Council	EXCO Resolutions approving waste water risk abatement plans	GM: WS
WS -10					BSD 7	Percentage compliance to alternative water supply programme (Tankered water provision)	100%	79%	100%	16.32	70	77.68	Achieved	N/A	Water Tankering schedule	GM: WS
IE D 1		LOCAL ECONOMIC DEVELOPMENT	To create a conducive environment for economic growth and job opportunities	Local Economic Development Strategy	LED 1	Number of Households benefitted from alternative energy support initiative	N/A	N/A	N/A	N/A	240	306	Achieved	N/A	Invoice received from service provider	GM: IED
IE D 2					LED 3	Number of AFVF talent search Programmes Co-ordinated	N/A	N/A	N/A	N/A	3	3	Achieved	N/A	Minutes and Attendance register, Photos	GM: IED

IE D 3			LED 3	Number of Local artists featured in Musical Festivals	N/A	N/A	N/A	N/A	10	11	Achieved	N/A	Artist performance contract	GM: IED
IE D 4			LED 4	Number of SMMEs Trained	60	63	N/A	N/A	30	178	Achieved	N/A	Attendance Register	GM: IED
IE D 5			LED 4	Number of Cooperatives trained	60	63	N/A	N/A	30	32	Achieved	N/A	Attendance Register	GM: IED
IE D 6			LED 4	Number of SMMEs participation in Festival and Events	N/A	N/A	N/A	N/A	6	12	Achieved	N/A	Implementation Plan and List of Traders	GM: IED
IE D 7			LED 5	Number of Rural Agricultural production projects Developed	N/A	N/A	N/A	N/A	6	7	Achieved	N/A	Copy of Invoice(s) From Suppliers	GM: IED
IE D 8	LOCAL		Local Economic Develo	LED 5	Percentage of tea tree Irrigation Infrastructure	N/A	N/A	N/A	N/A	100	100	Achieved	N/A	Technical Report.	GM: IED

		pment Strateg y		Improved										
IE D 9			LED 5	Number of Litres of tea tree oil produced	1000	4373	N/A	N/A	3000	4373.1 3	Achiev ed	N/A	Production records	GM: IED
IE D 10			LED 5	Number of Agricultural Projects Identified and mapped	N/A	N/A	N/A	N/A	1 Local Munic ipality	1 Local Munici pality	Achiev ed	N/A	Copy of Close-Out Report	GM: IED
IE D 11	To create a conduc ive environ ment for econo mic growth and job opport unities		LED 5	Percentage of toilet and storeroom construction at Horse Shoe Farm completed	N/A	N/A	N/A	N/A	100%	100%	Achiev ed	N/A	Appointmen t letter and Contractors performanc e report	GM: IED
IE D 12			LED 5	Date Ugu Fresh Produce Market leased to an implementing agent	N/A	N/A	N/A	N/A	30-Jun-16	Not Achiev ed	Not Achiev ed	To be advertis ed by 31 Dec 3016	Letter of Award or Draft MoU with DSBD	GM: IED
IE D			LED 5	Number of Non-	N/A	N/A	N/A	N/A	12	3	Not Achiev	Benefici aries to	Copy of Invoice(s)	GM: IED

ECONOMIC DEVELOPMENT

13				Functional LED Projects Revived							ed	be considered in new financial year	from Suppliers	
IED 14			GGP P 4	Ugu Sports and Leisure Centre Maintenance inspected and monitored	N/A	N/A	N/A	N/A	4	2	Not Achieved	N/A	Extract of Minutes of MANCO Noting USLC Inspection & Monitoring Report	GM: IED
IED 15	LOCAL ECONOMIC DEVELOPMENT		LED 10	Number of LED Portable skills Trainees Supported	N/A	N/A	N/A	N/A	72	104	Achieved	N/A	List of students trained confirmed by Esayidi FET	GM: IED
IED 16			LED 8	Number of Job opportunities created through LED initiatives	1030	793	N/A	N/A	60	97	Achieved	N/A	Copies of contracts and Tea Tree Project Technical Report	GM: IED
IED 17		To create a conducive environment for	Local Economic Development Strategy	LED 9	Date database of Ugu unemployed Graduates completed	N/A	N/A	N/A	N/A	30-Jun-16	Not Achieved	Not Achieved	Extension of Time Frame to next Financial Year	Extract of Minutes of MANCO Noting progress report of Database	GM: IED

IED 18					LED 9	Date business perception surveys completed	30-Jun-15	Date and target not achieved	N/A	N/A	30-Jun-16	30-Jun-16	Achieved	N/A	Resolution of Manco noting the Business Survey Report	GM: IED
IED 19					LED 9	Date LED Strategy reviewed	30-Jun-15	30-Aug-15	N/A	N/A	30-Jun-16	Not Achieved	Not Achieved	To be advertised	Inception Report	GM: IED
IED 20					LED 9	Date LED webpage is operational	N/A	N/A	N/A	N/A	30-Jun-16	Achieved	N/A	N/A	Webpage screenshot	GM: IED
IED 21					LED 13	Date Ugu Development Agency is operational	31-Dec-14	30-Jun-15	N/A	N/A	31-Dec-14	Operational Ugu Development Agency	Achieved	N/A	Attendance Register	GM: IED
OMM-1	GOOD GOVERNANCE AND PUBLIC PARTICIPATION	PEOPLE FIRST/ GOOD GOVERNANCE	To create a conducive environment for participatory development	Good Governance and Public Participation Strategy	GGP P 1	Date 2015/2016 IDP, Budget and PMS reviewed process plan adopted	30-Aug-14	28-Aug-14	30-Aug-16	Nil	30-Aug-15	27-Aug-15	Achieved	N/A	Council Resolution	MM
OMM-2					GGP P 1	Date 2015/2016 Reviewed IDP adopted by council	30-Jun-15	25-Jun-15	30-Jun-17	Nil	30-Jun-16	25-Jun-16	Achieved	N/A	Council Resolution	MM

OMM-3					GGPP 1	Number of copies of 2014/2015 IDP printed	100	100	100	Nil	100	150	Achieved	N/A	Copy of printed IDP, invoice	MM
OMM-4					GGPP 2	Number of Mayors' Forum meetings coordinated	2	3	4	Nil	4	4	Achieved	N/A	Agenda of meetings and attendance registers	MM
OMM-5					GGPP 2	Number of Speakers' Forum meetings coordinated	2	3	4	Nil	4	4	Achieved	N/A	Agenda of meetings and attendance registers	MM
OMM-6					GGPP 2	Number of MMs Forum meetings coordinated	2	3	4	Nil	4	4	Achieved	N/A	Agenda of meetings and attendance registers	MM
OMM-7					GGPP 2	Number of CFOs Forums coordinated	2	3	4	Nil	4	4	Achieved	N/A	Agenda of meetings and attendance registers	MM
OMM-8		PEOPLE FIRST/	To create a conducive environ	Good Governance and Public Particip	GGPP 2	Number of District Development Forums coordinated	2	3	4	Nil	4	4	Achieved	N/A	Meeting agendas	MM

OMM-9		GOOD GOVERNANCE	ment for participatory development	ation Strategy	GGP P 2	Number of IDP Rep Forums coordinated	6	6	4	Nil	4	5	Achieved	N/A	Meeting agendas	MM
OMM-10					GGP P 2	Number of CMC North meetings coordinated	N/A	N/A	10	Nil	10	10	Achieved	N/A	Meeting agendas	MM
OMM-11					GGP P 2	Number of CMC South meetings coordinated	N/A	N/A	10	Nil	10	10	Achieved	N/A	Meeting agendas	MM
OMM-12					GGP P 3	Number of Mayoral Izimbizo conducted	18	18	18	Nil	18	18	Achieved	N/A	Council resolution noting the schedule of meetings, and reports and attendance registers	MM
OMM-13					GGP P 3	Number of 2015/2016 IDP Roadshows conducted	18	18	18	Nil	18	18	Achieved	N/A	Council resolution noting the schedule of meetings and Roadshows report and Attendance	MM

														registers	
OMM-14					GGPP 5	Number of schools visited	5	6	6	Nil	6	6	Achieved	N/A	Speakers Forum resolution	MM
OMM-15		PEOPLE FIRST/ GOOD GOVERNANCE	To create a conducive environment for participatory development	Good Governance and Public Participation Strategy		Date Workers parliament held	31-May-15	29-May-15	31-May-16	Nil	31-May-16	20-21 May 2016	Achieved	N/A	Report, and attendance registers	MM
OMM-16					GGPP 3	Number of Public participation workshops conducted	6	6	4	Nil	4	4	Achieved	N/A	Report and attendance registers	MM
OMM-17					GGPP 3	Number of Ward Committee reports submitted to Speakers Forum	N/A	N/A	12	Nil	12	12	Achieved	N/A	Extract from minutes of meetings of the Speakers Forum and attendance registers	MM
OMM-					GGPP 3	Percentage of Functional	70%	70%	100%	18%	75	72%	Not Achiev	escalate non-	Functionality report and	MM

18						Ward Committees							ed	complia nce to Speake rs forum	Extract from minutes of meetings of the Speakers Forum and attendance registers	
OM M-19					GGP P 3	Percentage of Ward plans developed	20	20	100 of 84 ward plans	77%	100% of 20 ward plans	100%	Achiev ed	N/A	Ward Plans	MM
OM M-20					GGP P 3	Number of Meetings of the District Public Participation Forum	12	12	12	2	12	10	Not Achiev ed	Targete d number of meeting s will be revised	Minutes of meetings and attendance registers	MM
OM M-21					GGP P 4	Number of Sport codes participated in SALGA games	10	10	13	Nil	13	13	Achiev ed	N/A	Letters of Confirmatio n by sport and Recreation and relevant bodies and closeout report	MM
OM M-22		PEOPLE	To create a	Good Govern ance	GGP P 5	Number of External newsletters	N/A	N/A	2	Nil	2	2	Achiev ed	N/A	Copy of newsletters	MM

						published									
OMM-23		FIRST/ GOOD GOVERNANCE	conducive environment for participatory development	and Public Participation Strategy	GGPP 5	Number of Internal newsletter produced	4	1	4	Nil	4	4	Achieved	N/A	Copy of newsletter	MM
OMM-24					GGPP 5	Number Radio Slots undertaken	4	5	4	Nil	4	10	Achieved	N/A	Confirmation letter from radio station	MM
OMM-25					GGPP 5	Number of Press releases published	24	49	30	Nil	30	42	Achieved	N/A	Copy of press release published	MM
OMM-26					GGPP 5	Number of Media briefings undertaken	4	8	4	Nil	4	10	Achieved	N/A	Attendance registers and extracts from newspapers	MM
OMM-27					GGPP 5	Number of Media tours undertaken	2	1	2	Nil	2	2	Achieved	N/A	Attendance registers	MM
OMM-28					GGPP 6	Number of Year 2016 Calendars printed	5 000	5000	5 000	Nil	5 000	5 000	Achieved	N/A	Copy of a calendar printed and invoices	MM
OMM-29		PEOPLE	To create a	Good Governance	GGPP 6	Number of corporate folders	500	500	1000	Nil	1000	1000	Achieved	N/A	Copy of corporate folder and	MM

						printed								invoices	
OMM-30		FIRST/ GOOD GOVERNANCE	conducive environment for participatory development	and Public Participation Strategy	GGPP 6	Number of Photographic Portfolio of events developed	N/A	N/A	2	Nil	2	2	Achieved	N/A	Confirmation of portfolio of events by Senior Manager: Mayoralty and Communication	MM
OMM-31					GGPP 6	Percentage of development events co-ordinated	N/A	N/A	100	Nil	100	100	Achieved	N/A	Events reports adopted by Manco	MM
OMM-32					GGPP 6	Number of organised Community engagement campaigns conducted	N/A	N/A	12	Nil	12	12	Achieved	N/A	Report noted by MANCO and attendance register	MM
OMM-33					GGPP 7	Date 2015/2016 Risk register approved	30-Sep-14	22-Sep-14	Approval of risk register for Ugu	Nil	30-Sep-15	25-Sep-15	Achieved	N/A	Manco resolution	MM
OMM-34					GGPP 7	Date 2015/2016 USCT Entity Risk register approved	N/A	N/A	Approval of USCT risk register	Nil	30-Sep-15	11-Dec-15	Achieved	N/A	Audit Committee Minutes	MM

						produced									
OMM-39					GGP P 7	Number of USCT RMC reports produced	N/A	N/A	2	Nil	2	2	Achieved	N/A	Audit Committee Minutes	MM
OMM - 40					GGP P 7	Number of Ugu Fraud Risk Register Implementation reports produced	3	3	3	Nil	3	3	Achieved	N/A	Minutes of RMC meetings and attendance registers	MM
OMM - 41		PEOPLE FIRST/ GOOD GOVERNANCE	To create a conducive environment for participatory development	Good Governance and Public Participation Strategy	GGP P 7	Number of USCT Fraud Risk Register Implementation reports produced	N/A	N/A	3	Nil	3	3	Achieved	N/A	Audit Committee Minutes	MM
OMM - 42					GGP P 7	Number of SCDA Fraud Risk Register Implementation reports produced	N/A	N/A	2	Nil	2	2	Achieved	N/A	Audit Committee Minutes	MM
OMM 43					GGP P 7	Number of Fraud awareness campaigns held	3	4	3	Nil	3	3	Achieved	N/A	Attendance registers	MM
OMM-44					GGP P 8	Number of Audits conducted and reports	4	7	18	Nil	18	20	Achieved	N/A	Minutes of Audit Committee meetings	MM

OMM-34					GGP P 7	Date 2015/2016 USCDA Entity Risk register approved	N/A	N/A	Approval of USCDA risk register	Nil	30-Sep-15	02-Dec-15	Achieved	N/A	Audit Committee Minutes	MM
OMM-35		PEOPLE FIRST/ GOOD GOVERNANCE	To create a conducive environment for participatory development	Good Governance and Public participation Strategy	GGP P 7	Date Fraud Risk register approved by Manco	30-Sep-14	22-Sep-14	Approval of reviewed risk register	Nil	30-Sep-15	25-Sep-15	Achieved	N/A	Audit Committee Minutes	MM
OMM-36					GGP P 7	Date USCT entity's fraud risk registers approved by boards	N/A	N/A	Approval of reviewed fraud risk registers	Nil	30-Sep-15	11-Dec-15	Achieved	N/A	Audit Committee Minutes	MM
OMM-36					GGP P 7	Date USCDA entity's fraud risk registers approved by boards	N/A	N/A	30-Sep-15	Nil	30-Sep-15	02-Dec-15	Achieved	N/A	Audit Committee Minutes	MM
OMM-37					GGP P 7	Number of Ugu RMC reports produced	3	2	3	Nil	3	3	Achieved	N/A	Minutes of RMC meetings and attendance registers	MM
OMM-38					GGP P 7	Number of USCTA RMC reports	N/A	N/A	3	Nil	3	3	Achieved	N/A	Audit Committee Minutes	MM

						submitted to Audit committee meetings										
OMM-45					GGP P 8	Date 3-year strategic audit plans approved for Ugu and the entities	30-Sep-14	29-Sep-14	3 Year strategic audit plans	Nil	30-Sep-15	25-Sep-15	Achieved	N/A	Audit Committee approval resolution	MM
OMM-46					GGP P 8	Number of Annual internal audit plans developed	1	1	3	Nil	3	3	Achieved	N/A	Approval of the Annual internal audit plans by Audit Committee	MM
OMM-47					GGP P 8	Date charters and audit methodology reviewed	N/A	N/A	Review of charters and audit methodology by 2016/09/30	Nil	30-Sep-15	25-Sep-15	Achieved	N/A	Audit Committee resolution approving charters	MM
OMM-48		PEOPLE FIRST/	To create a conducive environment	Good Governance and Public Participation	GGP P 8	Number of Fraud and risk Internal audit policies reviewed and adopted	3	3	4	Nil	4	6	Achieved	N/A	Council resolution approving policies	MM

OMM-49		GOOD GOVERNANCE	for participatory development	Strategy	GGPP 8	Number of reports on the follow up on the implementation of dashboard, AG and internal audit findings produced for Ugu	N/A	N/A	4	Nil	4	5	Achieved	N/A	Minutes of the findings meetings and report adopted by Manco and Audit Committee	MM
OMM-50					GGPP 8	Number of reports on the follow up on the implementation of dashboard, AG and internal audit findings produced for Entities	N/A	N/A	4	Nil	4	5	Achieved	N/A	Minutes of the findings meetings and report adopted by Manco and Audit Committee	MM
OMM-51					GGPP 8	Percentage of Dashboard, AG and internal audit findings resolved	N/A	N/A	100	Nil	100	90%	Not Achieved	Engagements to be conducted by PMS section with departments.	Audit committee resolution noting report	MM
OMM-52					GGPP 9	Number of customer satisfaction evaluations	N/A	N/A	4	Nil	4	4	Achieved	N/A	Report noted by MANCO	MM

						conducted									
OMM-53					GGPP10	Date Batho Pele reviewed Strategy approved and implemented	N/A	N/A	Review of Batho Pele Strategy 2016/12/31	Nil	31-Dec-15	02-Nov-15	Achieved	N/A	Manco resolutions	MM
OMM 54					GGPP10	Date SDIP adopted by Manco	N/A	N/A	SDIP adoption by 30 Sept 2016	Nil	30 Sept 2015	12 October 2015	Achieved	N/A	Report adopted by Manco	MM
OMM 55		PEOPLE FIRST/ GOOD GOVERNANCE	To create a conducive environment for participatory development	Good Governance and Public Participation Strategy	GGPP10	Number of Municipal Service Week conducted	N/A	N/A	2	Nil	2	2	Achieved	N/A	Report noted by Manco and attendance confirmation register	MM
OMM 56					GGPP10	Number of Batho Pele Awareness Workshops conducted	N/A	N/A	12	Nil	12	12	Achieved	N/A	Impact evaluation report noted by Manco and attendance register	MM
OMM 57					GGPP10	Percentage compliance to Batho Pele Principles	N/A	N/A	95%	Nil	95%	96%	Achieved	N/A	Announced visit report adopted by Manco	MM

OMM 58					GGPP 11	Percentage achievement on call management	N/A	N/A	100	Nil	100	75	Not Achieved	Will improve the critical system	System generated Call centre report and report noted by Manco	MM
OMM 59					GGPP 11	Number of Service Charter Awareness Campaigns conducted	Service charter adopted 2014/09/01	25-Sep-14	10	Nil	10	0	Not Achieved	Will review the charter by 31 Dec 2016	Evaluation form report noted by Manco and attendance registers	MM
OMM-60					GGPP 11	Percentage of Complaints attended	N/A	N/A	100	Nil	100	100	Achieved	N/A	Complaints register and report adopted by Manco	MM
OMM-61					GGPP 11	Number of Career Exhibitions held	N/A	N/A	2	Nil	2	3	Achieved	N/A	Attendance registers and close out Report	MM
OMM-62		PEOPLE FIRST/ GOOD	To create a conducive environment for	Good Governance and Public Participation Strateg	GGPP 11	Number of Voter Education workshops conducted	N/A	N/A	6	Nil	6	6	Achieved	N/A	Report submitted to Manager	MM
OMM-					GGPP 11	Number of School Water	N/A	N/A	6	Nil	6	8	Achieved	N/A	Attendance registers	MM

63		GOVERNANCE	participatory development	y		Education workshops held								and close Report	
OMM-64					GGP P 11	Number of Youth Development Programmes supported	N/A	N/A	6	Nil	6	8	Achieved	N/A	Attendance registers and close out report	MM
OMM-65					GGP P 11	Date Youth Celebration of Nelson Mandela Week held	N/A	N/A	Youth celebration of Mandela Week by 2016/09/30	Nil	30-Sep-15	31-Jul-15	Achieved	N/A	Attendance registers and close out Report	MM
OMM-66					GGP P 11	Date dress a child campaign conducted	N/A	N/A	Dress a child campaign conducted by 2016/03/30	Nil	30-Mar-16	18-Jan-16	Achieved	N/A	List of beneficiaries signed by the principal on delivery	MM
OMM-67					GGP P 11	Number of Awareness Campaigns on children rights held	N/A	N/A	2	Nil	2	7	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-					GGP P 11	Date take a girl child to	N/A	N/A	30-Jun-16	Nil	30-Jun-	25-May-	Achieved	N/A	attendance register and	MM

68						work campaign held					16	16			report submitted to Manager	
OMM-69		PEOPLE FIRST/ GOOD GOVERNANCE			GGP P 11	Date child Protection week held	N/A	N/A	30-Jun-16	Nil	30-Jun-16	20-May-16	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-70					GGP P 11	Number of support to child headed households implemented	N/A	N/A	1	Nil	1	1	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-71					GGP P 11	Date hospitalised Children Christmas celebration held	N/A	N/A	31-Dec-15	Nil	31-Dec-15	22-Dec-15	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-72			To create a conducive environment for	Good Governance and Public Participation Strateg	GGP P 11	Date women in leadership workshop held	N/A	N/A	30-Sep-15	Nil	30-Sep-15	21-23 August 2015	Achieved	N/A	attendance register and report submitted to Manager	MM

OMM-73		PEOPLE FIRST/ GOOD GOVERNANCE	participatory development	y	GGP P 11	Number of Sanitary dignity campaigns held	N/A	N/A	4	Nil	4	5	Achieved	N/A	List of beneficiaries signed by beneficiaries on date received	MM
OMM-74					GGP P 11	Date Women empowerment session held	N/A	N/A	30-Sep-15	Nil	30-Sep-15	28-Aug-15	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-75					GGP P 11	Number of Men Empowerment workshop conducted	N/A	N/A	2	Nil	2	3	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-76					GGP P 11	Number of Moral Regeneration campaigns held	N/A	N/A	4	Nil	4	4	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-77					GGP P 11	Number of Boys to men sessions held	N/A	N/A	4	Nil	4	5	Achieved	N/A	attendance register and report noted by Portfolio Committee	MM

OMM-78					GGP P 11	Date Parenting session held	N/A	N/A	31-Dec-15	Nil	31-Dec-15	23-Oct-15	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-79			To create a conducive environment for participatory development	Good Governance and Public Participation Strategy	GGP P 11	Number of Golden Games hosted	N/A	N/A	2	Nil	2	2	Achieved	N/A	attendance register and report submitted to Manager	MM
OMM-80					GGP P 11	Number of Intergenerational dialogue sessions held	N/A	N/A	4	Nil	4	4	Achieved	N/A	attendance register and report noted by Portfolio Committee	MM
OMM-81					GGP P 11	Number of awareness campaigns for senior citizens conducted	4	4	4	Nil	4	4	Achieved	N/A	attendance register and report noted by Portfolio Committee	MM
OMM-82					GGP P 11	Number of support to destitute elderly implemented	N/A	N/A	2	Nil	2	2	Achieved	N/A	report on support programmes provided	MM

OMM-83		PEOPLE FIRST/ GOOD GOVERNANCE			GGPP 11	Number of disability Awareness Programmes implemented	4	4	1	Nil	1	1	Achieved	N/A	Attendance registers and report on programmes undertaken	MM
OMM-84					GGPP 11	Number of disability Sports day held	N/A	N/A	1	Nil	1	2	Achieved	N/A	Reports on Sports day approved at EXCO	MM
OMM-85					GGPP 11	Number of sanitary dignity campaigns in special schools held	N/A	N/A	1	Nil	1	1	Achieved	N/A	Report on sanitary dignity campaigns conducted	MM
OMM-86			To create a conducive environment for participatory development	Good Governance and Public Participation Strategy	GGPP 11	Number of Career guidance sessions for disabled youth held	N/A	N/A	1	Nil	1	1	Achieved	N/A	attendance register and report on career guidance	MM
OMM-87					GGPP 11	Date Sign Language training conducted	N/A	N/A	31-Mar-16	Nil	31-Mar-16	18-Sep-16	Achieved	N/A	report on training conducted	MM
OMM-					GGPP 11	Date turning disability into	N/A	N/A	30-Sep-	Nil	30-Sep-	28-Sep-	Achieved	N/A	attendance register and	MM

88						ability sessions held			15		15	16			report on sessions conducted	
OMM-89					GGPP 11	Number of HIV and AIDS Awareness Campaigns conducted	4	4	2	Nil	2	2	Achieved	N/A	Report on awareness conducted	MM
OMM-90		PEOPLE FIRST/ GOOD GOVERNANCE			GGPP 11	Number of World AIDS Day events organised	N/A	N/A	1	Nil	1	1	Achieved	N/A	report on World AIDS day	MM
OMM-91					GGPP 11	Percentage of Identified and approved cases supported with nutrition	N/A	N/A	100	Nil	100	100	Achieved	N/A	Special programmes report adopted by portfolio committee	MM
OMM-92					LED 16	Percentage of Functional DTT	N/A	N/A	100	Nil	100	100	Achieved	N/A	OSS Quarterly Report to Premiers Office, Attendance registers	MM
CS 57			To create a conduc	Good Governance and	GGPP 14	Date Website upgrade completed	N/A	N/A	31-Mar-16		31 Mar 2016	31-Mar-16	Achieved	Nil	Screen capture of website published	GM: CS

															date Audit trail of changes made to the website	
CS 58					GGP P 14	Percentage of compliance with legislation for website content	N/A	N/A	100%	N/A	100%	100%	Achieved	N/A	Legislative checklist Website report	GM: CS
CS 59					GGP P 15	Number of Security policy review user awareness training sessions held	Date security policy reviewed 2014/09/01	The target was not achieved	12	0	12	12	Achieved	N/A	12 Attendance register of user awareness schedules	GM: CS
CS 60			ive environment for participatory development	Public Participation Strategy	GGP P 15	Number of policy's reviewed and adopted	N/A	N/A	3	0	3	3	Achieved	N/A	Council Resolution	GM: CS
CS 61		PEOPLE FIRST/ GOOD			GGP P 16	Number of users to have signed confidentiality agreements	N/A	N/A	350	0	350	350	Achieved	N/A	Confidentiality agreement	GM: CS
CS 62					GGP P 17	Date by when computer upgrades are done	N/A	N/A	31-Mar-16	N/A	31-Mar-16	31-Mar-16	Achieved	N/A	Upgrade schedule report	GM: CS

CS 63		GOVERNANCE			GGP P 17	Date when the WAN upgrade is implemented	N/A	N/A	31-Dec-15	N/A	31-Dec-15	25-Feb-16	Achieved	N/A	Network usage report	GM: CS
CS 64					GGP P 17	Date when the server upgrade is completed	N/A	N/A	30-Jun-16	N/A	30-Jun-16	Feb-16	Achieved	N/A	Project Plan updated and signed off	GM: CS
CS 65					GGP P 17	Date when the servers are migrated to the cloud	N/A	N/A	31-Dec-15	N/A	31-Dec-15	Apr-16	Achieved	N/A	Signed functional specifications and Invoice	GM: CS
CS 66					GGP P 17	Number of computer centres established in rural schools	N/A	N/A	6	0	6	6	Achieved	N/A	Invoices	GM: CS
CS 67					GGP P 17	Date when the ICT governance framework and implementation plan is adopted by council	Percentage compliance with ICT Governance framework -100	100	30-Jun-16	N/A	30-Jun-16	29-Oct-15	Achieved	N/A	Council Resolution	GM: CS

TREA-1	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	FINANCIAL MANAGEMENT	To develop and maintain a financially viable and sustainable organisation that achieves full compliance with legislation	Municipal Financial Viability and Management Strategy	MFVM 5	Improved Liquidity ratio	1.5:1	3.06:1	1.5:1		1.5:1	2.42:1	Achieved	N/A	S71 reports and calculations	CFO
TREA-2					MFVM 1	Date unqualified Report attained	31-Jan-15	Qualified 29 Jan 15	31-Jan-16	N/A	31-Jan-16	31-Jan-16	Achieved	N/A	AG Audit Report	CFO
TREA-3					MFVM 8	Percentage reduction of Irregular expenditure as a percentage of total actual expenditure	100.00 %	0.65 %	100%	0.48%	1.5	0.48	Achieved	N/A	Register of irregular expenditure	CFO
TREA-4					MFVM 8	Number of Stock takes conducted	3	3	3	0	3	3	Achieved	N/A	Stock take report	CFO
TREA-5					MFVM 8	Number of Vendor database reviewed	Date vendor database reviewed 2015/01/31	24-Jul-14	12	0	12	12	Achieved	N/A	Exception report	CFO

TREA-6					MFVM 8	Date Procurement Plan approved	30-Jun-15	06-Jul-15	30-Jun-16	N/A	30-Jun-16	30-Jun-16	Achieved	N/A	Resolution for Adoption, Manco/ Extended Manco	CFO
TREA-7		FINANCIAL MANAGEMENT		Municipal Financial Viability and Management Strategy	MFVM 8	Number of days a contract is awarded	75 days	117 days	75 days	0	75 days	103	NOT ACHIEVED	will organise special meetings with bid committees to take care of the number of days to award and the SCM policy have been amended objections will be handled internally before forwarded to Provincial Treasury Tribunal	Tender Tracking Register	CFO

TREA-8			To develop and maintain a financially viable and sustainable organisation that achieves full compliance with legislation		MFVM 8	Number of contract register updated	Frequency of contract register update- Monthly	Monthly	12	0	12	12	Achieved	N/A	Contract register	CFO
TREA-9					MFVM 4	Number of timely & Accurate movable Asset Verification done	4	4	4	0	4	4	Achieved	N/A	Updated Asset register and appendices	CFO
TREA-10						Date Immovable Asset Verification done	N/A	N/A	30-Jun-16	N/A	30-Jun-16		Not Achieved	There were no GPS hand held devices for the assets section to utilise.	Updated Asset register and appendices	CFO

														To commence with the verification beginni		
TREA-11					MFVM 4	Number of accurately Updated Asset Register	4	4	12	0	12	12	Achieved	N/A	Asset register Appendix	CFO
TREA-12					MFVM 3	Number of disposal of assets co-ordinated in liaison with SCM	Date disposal of assets co-ordinated in liaison with SCM-2015/05/30	30-Aug-15	1	0	1	1	Achieved	N/A	Letter of award, Council Resolution and Advert	CFO
TREA		FINANCI			MFVM	Percentage Increase in	92%	95%	100%	9%	85%	91%	Achieved	N/A	Debt collection	CFO

-13					10	collection of current debt ratio								dashboard report	
TREA-14					MFVM10	Percentage of Overdue debts reduced	Date debt reduction strategy adopted - 2014/09/30	30-Sep-15	20	20	20	0	Not Achieved	Implementation of the Debt Reduction Strategy	Debtors age analysis	CFO
TREA-15		AL MANAGEMENT	To develop and maintain a financially viable and sustainable organisation that achieves full compliance with legislation	Municipal Financial Viability and Management Strategy	MFVM10	Percentage accuracy of billing in urban areas	95	77%	100.00%	18%	85	82	Not Achieved	Monitoring of on-going contract by the service providers who read and audit the meters	Readings report	CFO
TREA-16					MFVM10	Percentage accuracy of billing in Rural areas	0.08	10%	100%	88%	50	12	Not Achieved	Monitoring of on-going contract by the service providers who read and audit the meters	Readings report	CFO

TREA-17					MFVM 10	Percentage completeness of Billing in all areas	N/A	N/A	100%	1%	90%	99%	Achieved	N/A	Bill exception report	CFO
TREA-18					MFVM 11	Number of days within which creditors are paid after submission of invoice	30	30	30	0	30	30	Achieved	N/A	Creditors age analysis	CFO
TREA-19		FINANCIAL MANAGEMENT			MFVM 9	Percentage of controlled Fruitless and Wasteful Expenditure as a % of Total Actual Expenditure	0.50%	0.047 %	100%	0%	1%	0%	Achieved	N/A	Register of fruitless and wasteful expenditure and Calculations	CFO
TREA-20					MFVM 13	Timeous payment of Salaries	20th of every month	20th of every month	20th of every month	N/A	20th of every month	20th of every month	Achieved	N/A	Proof of transfer of salaries and Salaries Reconciliation	CFO
TREA-21			To develop and maintain a financially	Municipal Financial Viability and Manage	MFVM 13	Timeous Employee deductions paid	7th of every month	7th of every month	7th of every month	N/A	7th of every month	7th of every month	Achieved	N/A	Proof of payment and Reconciliation	CFO

TREA-22		FINANCIAL MANAGEMENT	viable and sustainable organisation that achieves full compliance with legislation	ment Strategy	MFVM 14	Percentage of Capital Budget Spent	80%	80.77 %	100%	20%	90%	80%	Not Achieved	To update the accruals of the creditors invoices in the general ledger	Sec 71 Report and Calculations	CFO
TREA-23						Percentage of Operating budget spent	90%	97.47 %	100%	10%	90%	90%	Achieved	N/A	S71 reports and calculations	CFO
TREA-24					MFVM 14	Percentage of Grants withheld of the total DORA allocations	0.5	NONE	0.00%	1.24%	0.50 %	1.24%	Not Achieved	Monitoring of Expenditure on Conditional Grants	DORA payment schedule	CFO
TREA-25					MFVM 15	Number of Annual Financial Statement compiled	2	2	2	0	2	2	Achieved	N/A	Audit Committee Resolution	CFO
TREA-26					MFVM 15	Date Annual Financial Statements submitted to Auditor General	31-Aug-14	26-Aug-14	31-Aug-15	N/A	31-Aug-15	31-Aug-15	Achieved	N/A	Audit Committee Resolution	CFO

TREA-27					MFVM15	Consolidated Annual Financial Statements submitted to the Auditor General	31-Aug-14	26-Aug-14	30-Sep-15	N/A	30-Sep-15	30-Sep-15	Achieved	N/A	Letter of confirmation from the AG	CFO
TREA-28					MFVM15	Number of Quarterly financial statements compiled	4	4	2	1	2	1	Not Achieved	N/A	Letter of confirmation from the AG	CFO
TREA-29					MFVM15	Percentage of Controlled unauthorised Expenditure as a % of Total Actual Expenditure	0.5	0.00 %	0.00%	0.51%	0.50 %	0.51%	Not Achieved	Make sure quarterly financial statements will be sent to the relevant committee on time	finance portfolio resolution	CFO
TREA-30					MFVM15	Date Budget Process Plan approved	31-Aug-14	26-Aug-14	31-Aug-15	N/A	31-Aug-15	27-Aug-15	Achieved	will organise special meetings with bid committees to take care of the	Register of unauthorised expenditure	CFO

														number of days to award and the SCM policy have been amended objections will be handled internally before forwarded to Provincial Treasury Tribunal.		
TREA-31		FINANCIAL MANAGEMENT		Municipal Financial Viability and Management Strategy	MFVM 15	Date 2015/2016 Annual Budget adopted by Council	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-32					MFVM 15	Date Adjustment Budget adopted by Council	28-Feb-15	26-Feb-15	28-Feb-16	N/A	28-Feb-16	25-Feb-16	Achieved	N/A	Council resolution	CFO

TREA-33					MFVM15	Number of Monthly in-year reports produced	12	12	12	0	12	12	Achieved	N/A	Council resolution	CFO
TREA-34					MFVM15	Number of S72 quarterly reports produced	4	4	4	0	4	4	Achieved	N/A	Letters of submission to National and Provincial Treasury	CFO
TREA-35					MFVM21	Date Reviewed Budget Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Letters of submission to National and Provincial Treasury	CFO
TREA-36					MFVM21	Reviewed Virement Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-37		FINANCIAL MANAGEMENT			MFVM21	Reviewed Cash and Investment Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-38					MFVM21	Reviewed Assets Management Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO

TREA-39					MFVM21	Reviewed Funding and Reserves Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-40			To develop and maintain a financially viable and sustainable organisation that achieves full compliance with legislation	Municipal Financial Viability and Management Strategy	MFVM21	Reviewed Credit Control and Debt Collection Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-41					MFVM21	Reviewed Indigent Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	not submitted	Not Achieved	N/A	Council resolution	CFO
TREA-42					MFVM21	Reviewed Basic WS Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	Will be reviewed in the next financial year	Council resolution	CFO
TREA-43					MFVM21	Reviewed Supply Chain Management Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
TREA-44					MFVM21	Reviewed Asset Disposal Policy adopted	31-May-15	28-May-15	31-May-16	N/A	31-May-16	26-May-16	Achieved	N/A	Council resolution	CFO
OMM	CROSS	N/A	To develo	Good Govern	CCSI1	Date Reviewed	30-Jun-15	Date and	Spatial Develo	Spatial Develo	30-Jun-	00-Jan-00	Not Achiev	CoGTA appoint	Council resolution	MM

10 5	CUTTING INTERVENTIONS		p and promot e an integra ted sustain able environ ment	ance and Public Particip ation Strateg y		Spatial Development Framework Adopted		target not achie ved	pment Frame work	pment Frame work	16		ed	ment of service provider	adopting the reviewed SDF	
CS 56					MTI D 17 CSI 15	Percentage expenditure of development of offices for CS and Council chambers and the date by when the Disaster management ph2 & ph3 is completed	N/A	N/A	100%	0%	100% 30 June 2016	100%	Achiev ed	N/A	SCM Documentat ion	GM: CS
CS 68					CSI 15	Number of Co-ordinated Forums for Disaster Risk Management DDMAF	4	4	4	0	4	4	Achiev ed	N/A	Attendance Register Programme / Agenda	GM: CS
CS 69					CSI 15	Number of Co-ordinated Forums for Disaster Risk Management District Practitioners	12	12	6		6	6	Achiev ed	N/A	Attendance Register Programme/ Agenda	GM: CS

CS 70					CSI 15	Number of Ward Based disaster management Structures/ Committee established	12	12	12	0	12	30	Achieved	N/A	Attendance Register Agenda	GM: CS
CS 71	CROSS CUTTING INTERVENTIONS	N/A	To develop and promote an integrated sustainable environment	Good Governance and Public Participation Strategy	CSI 15	Date by when the Fire Protection Association is Launched	N/A	N/A	30-Jun-16	N/A	30-Jun-16	28-May-16	Achieved	N/A	Attendance Register/ Report	GM: CS
CS 72					CSI 16	Number of Disaster Risk Assessments conducted	6	6	13	0	6	13	Achieved	N/A	Assessment Report	GM: CS
CS 73					CSI 16	Number of Risk areas Mapped (GIS) - maps	N/A	N/A	4	0	4	4	Achieved	N/A	Reviewed risk map	GM: CS
CS 74					CSI 17 CSI 18	Number of Disaster Risk Reduction Plans (Summer, Winter seasonal Plans, Events Contingency Plans	4	6	12	0	8	12	Achieved	N/A	8 risk reduction plans	GM: CS

CS 82					CSI 18	Number of Co-ordinated DM Plans and Framework in line with IDP	6	6	6	0	6	6	Achieved	N/A	3 DM Plans	GM: CS
CS 76	CROSS CUTTING INTERVENTIONS				CSI 19	Frequency of Implementation of Disaster Risk Management response, recovery, relief and rehabilitation strategy	Date disaster risk management response, recovery, relief and rehabilitation strategy adopted - 2014/09/01	30-Sep-14	Quarterly	N/A	Quarterly	Quarterly	Achieved	N/A	Quarterly progress report	GM: CS
CS 77		N/A	To develop and promote an integrated sustainable environment	Good Governance and Public Participation Strategy	CSI 19	Number of workshops conducted on the district wide fire and rescue services strategy	Date district wide fire and rescue services strategy adopted - 2014/12/01	01-Dec-14	6	0	6	10	Achieved	N/A	Attendance Register Programme	GM: CS
CS 78					CSI 18	Date by when fire fighting vehicles purchased to assist Local Municipalities	N/A	N/A	31-Dec-15	N/A	31-Dec-15	14-Jun-16	Achieved	N/A	Delivery note / Invoice	GM: CS

CS 79					CSI 18	Number of Awareness campaigns on Enforcement of Bylaws conducted	Date disaster management by-laws adopted 2015/06/30	30-Jun-15	12	0	12	12	Achieved	N/A	Attendance Register Programme	GM: CS
CS 80					CSI 18	Number of Field Operations Guidelines Developed	N/A	N/A	2	0	2	2	Achieved	N/A	Monthly Reports	GM: CS
CS 81	CROSS CUTTING INTERVENTIONS				CSI 18	Date by when Emergency Relief Stock is available	N/A	N/A	31-Dec-15	N/A	31-Dec-15	15-Oct-15	Achieved	N/A	Acknowledgement of Receipt by LM's	GM: CS
CS 82					CSI 18	Date by when Post Disaster Committee is formulated	N/A	N/A	30-Jun-16	N/A	30-Jun-16	04-Sep-15	Achieved	N/A	Report to the Disaster Management Forum	GM: CS
CS 83					CSI 19	Number of Disaster Management Workshops	6	6	6	0	6	14	Achieved	N/A	Attendance Register Programme	GM: CS

CS 84					CSI 19	Number of trainings conducted on Disaster Management	N/A	N/A	4	0	4	10	Achieved	N/A	Attendance Register Programme	GM: CS
CS 85					CSI 19	Number of community awareness campaigns conducted to mitigate the risk of fatalities	4	4	12	0	12	24	Achieved	N/A	12 Attendance Registers Programme (12) Quarterly report on fatalities	GM: CS
IED 22	CROSS CUTTING INTERVENTIONS	N/A	To develop and promote an integrated sustainable environment	Good Governance and Public Participation Strategy	CCI 2 BSD 5	Number of River Water Samples taken, and analysed	800	1010	N/A	N/A	400	407	ACHIEVED	N/A	laboratory reports	GM: IED
IED 23					CCI 2	Number of WWTW / final effluent Water Samples taken, and analysed	N/A	N/A	N/A	N/A	276	291	ACHIEVED	N/A	laboratory reports	GM: IED
IED 24					CCI 2	Number Standpipe Water Samples taken, and analysed	N/A	N/A	N/A	N/A	240	259	ACHIEVED	N/A	laboratory reports	GM: IED

IED 25	CROSS CUTTING INTERVENTIONS	N/A	To develop and	Good Governance	CCI 2	Number of Borehole Water Samples taken, and analysed	N/A	N/A	N/A	N/A	100	112	ACHIEVED	N/A	laboratory reports	GM: IED
IED 26					CCI 2	Number of Water tankers /water tanks Samples taken, and analysed	N/A	N/A	N/A	N/A	200	291	ACHIEVED	N/A	laboratory reports	GM: IED
IED 27					BSD 6	Number of projects monitored for sanitation compliance	N/A	N/A	N/A	N/A	20	21	ACHIEVED	N/A	monitoring reports	GM: IED
IED 28					CCI 3	Number of Workshops, awareness sessions and campaigns Conducted	16	473	N/A	N/A	44	46	ACHIEVED	N/A	reports/ Attendance registers	GM: IED
IED 29					CCI 3	Date Public Health By-Laws & Implementation Plan	30-Mar-15	Date and target not achieved	N/A	N/A	30-Mar-15	11-Feb-16	ACHIEVED		Extract from Portfolio noting the report	GM: IED
IED 30					CCI 4	Number of Food control sessions	2	2	N/A	N/A	140	141	achieved	N/A	Reports	GM: IED

						conducted									
IED 31					CCI 4	Number of Microbial samples conducted	50	25	N/A	N/A	100	0	NOT ACHIEVED	Identified service providers and re advertise	sampling reports	GM: IED
IED 32	CROSS CUTTING INTERVENTIONS		promote an integrated sustainable environment	and Public Participation Strategy	CCI 4	Number of Food Handlers Education workshops conducted	8	71	N/A	N/A	8	10	ACHIEVED	N/A	Attendance Register	GM: IED
IED 33					CCI 4	Number of Inspections and actions taken	320	796	N/A	N/A	700	717	ACHIEVED	N/A	Inspection reports,	GM: IED
IED 34					CCI 5	Percentage of Qualifying paupers buried	100%	100%	N/A	N/A	100%	100%	ACHIEVED	N/A	invoice and list of paupers approved	GM: IED
IED 35					CCI 6	Number of building Plans scrutinised	% of building plans assessed-100%	100% (747)	N/A	N/A	400	603	ACHIEVED	N/A	Plans register per LM done, with an EH stamp.	GM: IED
IED 36					CCI 6	Number of Inspections conducted for	320	705	N/A	N/A	320	350	ACHIEVED	N/A	Inspection reports	GM: IED

						health compliance										
IED 37	CROSS CUTTING INTERVENTIONS	N/A	To develop and promote an integrated	Good Governance and Public Participation	CCI 7	Percentage of Investigation and reporting of Communicable Diseases investigated	100%	100%	N/A	N/A	100%	100%	ACHIEVED	N/A	Reports/notification	GM: IED
IED 38					BSD 6	Number of Inspections conducted	N/A	N/A	N/A	N/A	184	236	ACHIEVED	N/A	Inspection Reports	GM: IED
IED 39					CCI 7	Number of Health and hygiene education conducted	N/A	N/A	N/A	N/A	300	350	ACHIEVED	N/A	health & hygiene education reports	GM: IED
IED 40					CCI 7	Number of STOP sessions conducted	N/A	N/A	N/A	N/A	120	137	ACHIEVED	N/A	health & hygiene education reports	GM: IED
IED 41					CCI 7	Number of PHAST Methodology implemented	N/A	N/A	N/A	N/A	60	76	ACHIEVED	N/A	health & hygiene education reports	GM: IED
IED	CROSS				CCI 7	Number of environmenta	N/A	N/A	N/A	N/A	300	321	ACHIEVED	N/A	health & hygiene	GM: IED

						projects supported in LMs										
IED 48	CUTTING INTERVENTIONS				CCI 10	Date Draft Climate Change Vulnerability Survey and Response Strategy developed	30-Jun-15	30-Jun-15	1	1	30-Jun-16	31-May-16	Achieved	N/A	Draft Survey and Strategy	GM: IED
IED 49					CCI 11	Date Implementation of Environmental Management Programme (EMPr) reports produced	N/A	N/A	1	0	30-Jun-16	30-Jun-16	Achieved	N/A	Evaluation report	GM: IED
IED 50					CCI 11	Date UMMP adopted	N/A	N/A	1	0	30-Jun-16	26-Nov-15	Achieved	N/A	Implementation report	GM: IED
IED 51		N/A	To develop and promote an integrated sustain	Good Governance and Public Participation Strateg	CCI 11	Number of Projects/cases checked for environmental compliance	16	16	ALL PROJECTS	+/- 50%	16	19	Achieved	N/A	Annual compliance report	GM: IED

IED 52	CROSS CUTTING INTERVENTIONS	able environment	y	CCI 11	Date Environmental Management Framework (EMF) adopted	30-Jun-15	Date and target not achieved	1 EMF	1 EMF	Final Adopted EMF by 2016/06/30	Section 32 initiated	Not Achieved	Undertake a full open tender process in 2016/17 FY, 30 September 2016	Appointment documentation; inception record	GM: IED
IED 53				CCI 12	Number of Coastal management projects coordinated	2	2	2	2	2	2	Achieved	N/A	Progress quarterly reports	GM: IED
IED 54				CCI 12	Number of Coastal management stakeholder forum workshops conducted	3	3	4	1	4	4	Achieved	N/A	Forum minutes; attendance register	GM: IED
IED 55				CCI 13	Number problem (bush pigs) animals management projects implemented	2	1	6 LMs	4LMs	1	1	Achieved	N/A	Inception report; close-out report of the 1st project	GM: IED
IED 56				CCI 13	Number of Invasive Alien Species (IASP) stakeholder forum workshops held	2	4	4	2	2	3	Achieved	N/A	Forum meetings reports; attendance registers	GM: IED

IED 62					CCI 14	Date Health and Hygiene Education Strategy adopted	30-Jun-15	Not achieved	1	1	30-Jun-16	21-Jun-16	Achieved	N/A	Final HHES	GM: IED

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

The Municipality initiated the process of an organisational review during the financial year 2014/15. This process was time consuming and ensured full consideration of each functional unit and department and was discussed in a number of meeting sessions prior to finalisation.

At this stage the reviewed organisational structure is pending Council's adoption. The Organisational Development is a key transformation agent dealing with the structure of the Municipality to ensure that it remains aligned to its strategy, job evaluation process and change management philosophy.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	2014/2015	2015/2016			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
CORPORATE SERVICES	70	104	84	20	19.2
IED	37	63	35	28	44.4
OFFICE OF MM	42	71	66	5	7.04
TREASURY	89	112	93	19	16.9
WATER SERVICES	621	664	618	46	6.92
Totals	**859**	**1014**	**896**	**118**	

Table 4.1.1

Vacancy Rate: 2015/2016			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
MM	01	00	00
CFO	01	00	00
Other S57 Managers (excluding Finance Posts)	03	00	00
Other S57 Managers (Finance posts)	01	00	00
Senior management: Levels 13-15 (excluding Finance Posts)	22	01	4.5
Senior management: Levels 13-15 (Finance posts)	06	0	0
Highly skilled supervision: levels 9-12 (excluding Finance posts)	89	9	10.1
Highly skilled supervision: levels 9-12 (Finance posts)	15	04	26.6
Total	**138**	**14**	

Table 4.1.2

VACANCIES AND TURNOVER OVERALL

The municipality has made enormous progress on filling critical posts. All S54/56 posts have been filled except for the position of a Deputy Municipal Manager. Every year the municipality embarks on a process of reviewing the organogram and identifies posts to be funded during that year on the bases of criticality. All budgeted posts are filled with priority being placed on the merit of internal staff members.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Human Resources Section provides leadership and works together with other departments within the Municipality to promote managerial and employee excellence while fostering and understanding and observance of legislative requirements.

The Human Resources Section's goal is to support the Municipality as it attracts, retains and rewards a talented and diverse workforce to enable the departments to efficiently meet their objectives. The Section adds value to the organization by providing human resource management tools, promoting employee development and managing change. The Section consults and works in partnership with management, employees to solve employee related issues.

PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL

The Human Resources Management Services rendered by the Municipality aims to achieve the following:

- Attend to the human resources requirements of the various municipal departments
- Establish and maintain a working environment that encourages personal growth, development, enrichment and job satisfaction.
- Ensure that human resources policies and procedures are administered in such a way as to protect the interests of both the Municipality and its employees. To accomplish this purpose, professional support services are rendered in respect of the following functional areas:
- Recruitment and selection
- Induction of newly appointed staff
- Personnel administration –'D0 administration of staff benefits and maintaining employee records
- Maintaining and monitoring Conditions of Service in terms of the applicable legislation, Bargaining Council agreements and Council policies
- Placement at the behest of the institution
- Staff movement
- EHSW Unit ensures compliance with the Occupational Health and Safety Act 85 of 1993, and ensures employee wellness.
- General administration

Ugu District Municipality values all its employees and commits itself to promoting their wellbeing. It is therefore the aim of the Employee Health, Safety and wellness Programme to improve the quality of life of all employees by providing support and helping to alleviate the impact of everyday work and personal and family problems. It is therefore intended, that, with this Employee Health, safety and Wellness Strategy that the Municipality will be effective in providing employees with a programme that provides innovative methods of managing performance related problems.

The explicit aim of the EHSW Strategy is to improve the quality of life of all employees by providing support and helping to alleviate the impact of everyday work and personal and family problems. EHSW Strategy offers new and exciting prospects to assist in the wellbeing of employees while at the same time increasing the effectiveness of the Organization. Participation in the programme is voluntary and will not jeopardize job security. The programme does not intend to interfere with workers"D5 private lives; however, when a member does not perform according to the standard expected, management has a right to intervene.

The programme is a cost-free worksite based programme providing confidential and professional assistance to employees of UGU District Municipality employees. EHSW Strategy does not replace any existing procedures, but provides innovative methods of managing performance related problems.

The programme is a cost-free worksite based programme providing confidential and professional assistance to employees of UGU District Municipality employees. EHSW Strategy does not replace any existing procedures, but provides innovative methods of managing performance related problems.

4.2 POLICIES

HR Policies and Plans 2015/2016				
	Name of Policy	Completed	Reviewed	Date adopted by council
		%	%	
1	Recruitment and Selection Policy	-	100%	30 MAY 2015
2	Acting and Acting Allowance Policy	-	100%	30 MAY 2015
3	Leave Regulations Policy	-	100%	30 MAY 2015
4	Bonus Policy	-	100%	30 MAY 2015
5	Car Allowance Policy	-	100%	30 MAY 2015
6	Employment Equity Policy	-	100%	30 MAY 2015
7	Bursary Policy	-	100%	30 MAY 2015
8	Internship Policy	-	100%	30 MAY 2015
9	Disciplinary Procedure and Code	100%	-	30 MAY 2015
10	Gifts, favours and rewards Policy	100%	-	30 MAY 2015

11	In service training policy	-	100%	30 MAY 2015
12	S & T Policy	-	100%	30 MAY 2015
13	**Human Resource Policy and Procedures Manual:** - Human Resources Framework - Organisational Design - Recruitment, Selection, Appointment, Promotion, Transfer, Secondment - Employment Remuneration - Allowances - Hours of work and attendance - Leave Management - Relocation Expenses for newly appointed staff - Occupational Health & Safety and Employment Wellness - Legal Aid to Employment - Conditions of permission to private work - Human Resource Development - Staff Retention, succession planning and Performance Management Labour Relations		100%	30 MAY 2015

WORKFORCE POLICY DEVELOPMENT

The Municipality has developed a well – developed staff policy framework. The Human Resources Policies and Procedures Manual which has been finalised will close a major gap which exists in the organisation, where there are no clear procedures to follow.

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	**Injury Leave Taken** **Days**	**Employees using injury leave** **No.**	**Proportion employees using sick leave** **%**	**Average Injury Leave per employee** **Days**	**Total Estimated Cost** **R'000**
Required basic medical attention only	18	10	1%	1.80	WCL - Payments
Temporary total disablement	350	15	2%	23.33	
Permanent disablement	0	0	-	0	
Fatal	0	0	-	0	
Total	368	25	3%	14.72	Fund Payment not known

Table 4.3.1

COMMENT ON INJURY AND SICK LEAVE

Although there was a reduction of 69% (the number of employee injured), there was an increase of 70% in the number of sick leave days taken according to the previous financial year. This means that although fewer employees were injured, the injuries that did occur in this financial year were more serious.

There were five (5) injuries that exceeded 30 days:

1. Staff member was struck down by a SAPS vehicle – Right Leg and hip fracture injury (71 Days)
2. Staff member injured fingers when loading vehicle with pipes – Fractured fingers (68 days)
3. During a work wellness programme a staff member was injured during a soccer match – dislocated right elbow and fractured right elbow (59 Days)
4. Whilst disembarking from the municipal vehicle he slipped and fractured his right ankle/leg – (54 Days)
5. Staff member was bitten by a snake – left shin (33 Days)

All municipal staff members injured on duty are sent to local hospitals for treatment as the municipality does not have a dedicated Medical Practitioner.

How to Reduce the Workplace Injuries

Safety is the way to reduce your workers' compensation costs, both direct (insurance premiums) and indirect (cost of hiring, retraining, overtime, loss of productivity and other costs associated with work place injuries).

Make Workplace Safety a Top Priority

Safety requires a comprehensive approach, and may mean all of the following:

- Hiring – Tell employees about the importance of safety when they start
- Educating – workers about safety measures and the importance of following rules
- Training – Properly train workers for new job duties
- Monitoring – Make sure employees properly follow all safety procedures, and correctly use equipment
- Enforcing – Institute consequences for failure to follow safety measures
- Discussing – Talk about safety all the time; at staff meetings, performance evaluations, etc.
- Assessment job requirements – Define physical capabilities for specific jobs
- Placement – Only place workers in jobs if they possess the necessary physical capabilities
- Providing – Supply personal protective equipment (i.e. safety glasses, boots, and respirators)
- Reviewing injuries – If there is an injury figure out what went wrong, why, and try to fix it for the future
- Identifying weaknesses – Learn what your most frequent injuries are, and then develop strategies to address them
- Reviewing work practices – Know that working overtime or unsafe staffing practices may increase injuries
- Rewarding – Recognize or reward workers, teams, or shifts who assist or initiate training or monitoring.

Safety should be part of every aspect of your business. Simply telling workers to work safely is not enough.

Provide Training. It is invaluable to provide new workers proper training when it comes to safety practices. Also, consider safety trainings for workers whose duties change, and as part of business' ongoing education practices.

Don't just talk about safety, reinforce it. Safety awareness is one small step toward reducing injuries. Follow it up with all staff, in all possible ways. Working safely should be an integral part of your business. It should be part of your hiring, training, education, monitoring, staffing, staff meetings, and performance evaluations, to name a few.

Focus on workplace injuries. Every business is unique and so are your injuries. Depending on your work, you may need to pay extra attention to: ergonomics; appropriate staffing to avoid over-exertion; ladder safety; eye safety; ventilation; breaks; hearing protection, body mechanics or work site safety, just to name a few.

Review your work practices. Common work practices may lead to work injuries. Improve workplace conditions.

Number and Period of Suspensions 2014/2015				
Position	**Nature of Alleged Misconduct**	**Date of Suspension**	**Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised**	**Date Finalised**
DRIVER	Assault	2 July 2014	Withdrawal of charges	15 January 2015
LR Co-ordinator	Negligence	6 Oct 2014	Written warning	6 February 2015
S Accounts Clerk	Dishonesty	18 Sept 2014	Case continuing	Pending
Accounts Clerk	Dishonesty	18 Sept 2014	Case Continuing	Pending

Disciplinary Action Taken on Cases of Financial Misconduct 2014/2015			
Position	**Nature of Alleged Misconduct and Rand value of any loss to the municipality**	**Disciplinary action taken**	**Date Finalised**
S Accounts Clerk	Dishonesty	Case continuing	Pending
Accounts Clerk	Dishonesty	Case continuing	Pending
Registry Clerk	Dishonesty	Case Continuing	Pending

SUSPENSIONS AND CASES ON FINANCIAL MISCONDUCT

The Municipality has set strict standards for disciplinary action to be taken in all cases of serious misconduct. Where such serious misconduct is identified, accused staff members are suspended on a precautionary basis. However, the Municipality faces challenges in effecting speedy resolution of such cases. As a result, extended suspension periods – beyond three months which has been set are experienced. In many cases, continuous delays are caused by the affected parties' non – availability requests. There is also a general non- adherence by parties to the established time limits.

4.4 PERFORMANCE REWARDS

Motivating and recognising employees is vital to the development of an effective and positive work environment. In 2014/2015 the organisation has started a culture of recognising and awarding best performing employees in the different departments of the organisation through the Employee Performance Awards.

These awards have been incepted with the rationale of motivating and recognising employees who give 100 percent and more in their work. These awards which will become a bi- annual affair for the organisation are said to be vital as they will ensure an effective and positive working environment for employees.

The performance awards were categorised in Best Department of the term, Best Sections of the term, Employee of the term and MM's Award.

The Corporate Services Department led by the GM: Corporate Services, Ms Vuyiwe Tsako was awarded the Best Department for the Term. Best Sections for the Term were given to Corporate Services' Secretariat, Registry and Auxiliary Services Section, Treasury Department's Supply Chain Management Section, Office of MM's development planning Section, Water Services' Area North and IED's Ugu Sport & Leisure Centre Unit of the LED Section.

Every Department of the Municipality was afforded an opportunity to nominate the perfoming employee/s in the different Sections in each department. There were ratios allocated to each, as to the number of employees they were to nominate as the best among all within different sections of the department. The Corporate Services had to nominate two employees, and Ms Edna Enock and Russell Maphelo Jali were awarded the best employees of the term in Corporate Services. Ms Nonkululeko Portia Cele was awarded the best employee of the term for the Office MM, Mr Guy Arthur Ravenscroft and Mr Lindani Derrick Mavundla were awarded the best employees for Budget And Treasury Office, For the IED Department Ms Zamantuli Faith Cele, was awarded the best employee of the term.Tweleve employees in the Water Services Departnment were awarded, being Mr. Mzanyelwa Elliot Ntlangoti from Water Services Authority (WSA), Mr. Sizwe Malinga from the Project Management Unit (PMU), Ms Silindile Cherron Machi from Water Services Management, Mr. Sphelele Brilliant Mkhize, Mr. Zamokuhle Wiseman Gasa and Visvanathan Govender from Area North, Mr. Reggie Nero, Mr Mduduzi Percyvall Makhaye from Area South - West, Mr. Thulani Nhlanhla Blose, Mr Bright Donald Mnguni, Samuel Daniel Schutte and Thembeka Jacqueline Nondaba from Area South. The MM's Award was awarded to Ms Norma Grobler.

Under the same umbrella of the performance awards, the municipality also had Long Service Awards, recognising employees that have been in the services of the municipality for 10 to 45 years. The Long Service Awards are aimed at appreciating the employees who have been in the employment of the Municipality for 10 and more years. These employees are awarded with certificates and on their anniversary months when they reach these periods, get a number of days encashed as per the provisions of the Collective Agreement on Conditions of Service.

Performance Rewards by Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2015/2016	Proportion of beneficiaries within group
				R' 000	%
Lower skilled (Levels 16-18)	Female	71	3	R7 521.09	4.2%
	Male	229	1	R3 760.54	0.44%
Skilled (Levels 13-15)	Female	18	2	R7 284.61	11%
	Male	125	0	–	0%
Highly skilled production (levels 9-12)	Female	87	3	R23 470.85	3.4%
	Male	165	10	R11 698.72	6.06%
Highly skilled supervision (levels 6-8)	Female	40	5	R51 870.56	12.5%
	Male	45	3	R27 237.47	6.66%
Senior management (Levels 2-5)	Female	31	3	R38 171.27	9.57%
	Male	43	1	R14 106.76	2.32%
MM and S57	Female	4	0	-	0%
	Male	1	0	-	0%
Total			31		
					Table 4.4.1

PERFORMANCE REWARDS

The performance awards are aimed at encouraging good performance from employees and also with a view to serve as a tool in retaining experience, dedicated and best performing employees thus ensuring provision of services required by the public that the Municipality is serving.

4.5 SKILLS DEVELOPMENT AND TRAINING

The Municipality develops and implements a Workplace Skills Plan on an Annual Basis. This is based on the capacity building and development needs identified by employees and Managers, and is then populated to a training plan for the financial year. Although these needs are identified by Managers and employees, the alignment of such needs with formal development needs, identified in terms of performance management has been found to be lacking. This challenge is anticipated to be addressed by the implementation of the IPMS and alignment with identified capacity gaps and interventions which are then contained in individual employees' Personal Development Plans (PDPs).

4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix 2014/2015														
Management level	Gender	Employees in post as at 30 June 2014/2015	Number of skilled employees required and actual as at 30 June 2014/2015											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of Year - 2013/2014	Actual: End of Year 2014/2015	Year 0 Target 2014/2015	Actual: End of Year - 2013/2014	Actual: End of Year 2014/2015	2014/2015 Target	Actual: End of 2013/2014	Actual: End of 2014/2015	2014/2015 Target	Actual: End of 2013/2014	Actual: End of 2014/2015	2014/2015 Target
MM and s57	Female	4	0	0	0	3	2	2	1	2	0	4	4	2
	Male	1	0	0	0	0	0	0	0	0	0	2	1	1
Councillors	Female	13	5	0	0	5	5	3	0	0	0	10	5	3
	Male	22	11	0	0	13	11	10	0	0	0	13	11	10
Sen. Managers	Female	0	0	1	1	0	0	0	0	0	0	0	1	1
	Male	4	0	1	1	3	2	2	0	0	0	3	3	3
Managers	Female	9	5	5	5	3	3	9	0	0	0	8	8	14
	Male	11	1	1	1	5	4	11	0	0	0	6	5	12
Technicians and Trade Workers	Female	34	0	2	2	1	9	1	0	2	2	1	12	5
	Male	131	0	0	0	40	18	21	0	15	12	40	33	33
Professionals	Female	5	0	0	0	4	2	4	0	0	0	4	2	4
	Male	5	2	0	0	5	1	5	0	0	0	7	1	6
Community & Personal	Female	0	0	0	0	1	1	1	0	0	0	1	1	1

Workers														
	Male	4	0	0	0	1	0	0	0	0	0	1	0	0
Clerical & Administrative Workers	Female	111	3	1	1	15	12	15	38	0	0	18	52	16
	Male	59	0	0	0	10	6	10	25	0	0	35	6	10
Machine Operators	Female	11	5	3	3	1	5	1	1	2	1	7	7	5
	Male	107	15	9	9	1	20	9	1	2	1	17	31	19
Elementary Workers	Female	66	2	4	4	11	8	4	11	0	0	24	12	8
	Male	267	1	4	4	10	33	1	10	0	3	21	37	7
Sub total	Female	253	20	17	17	44	47	40	50	4	3	76	103	60
	Male	611	30	16	16	90	95	69	36	17	16	145	128	101
Total		864	50	33	33	134	142	109	86	21	19	221	231	161

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	2	3	3	3	2
Chief financial officer	1	1	2	2	2	1
Senior managers	3	4	4	4	3	4
Any other financial officials	25	2	27	26	25	25
Supply Chain Management Officials						
Supply chain management senior managers	1	1	2	1	1	1
TOTAL	**31**	**10**	**38**	**28**	**35**	**32**

Training Budgets and Expenditure	Budget 2015/16	Expenditure 2015/16
Training Budget for all staff, across all levels	R2.400.000+	R2. 610 491+
	2014/15	2014/15
Training Budget for all staff, across all levels	R3.000.000	R3.000.000

SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

Although the implementation of training in the Municipality is adequate, it requires a more focused approach as previously set out. Funding provided for capacity building is adequate at 1% of the total remuneration package. The Bursary Scheme has given as an opportunity to employees to acquire/improve their qualifications and for personal growth and development.

With regard to the MFMA Competency Regulations, the Municipality has made great strides in training employees i.e. Sect. 57s, officials in the Treasury Department (including SCM) and other departments.

SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The municipality has developed a long-term strategy on training and development of its employees. Emanating from that strategy, an annual workplace plan was developed according to the requirements of LGSETA. It is in this plan, where budget equivalent to 1% of the total personnel costs is set aside for training purposes. The total budget for the year under review was R 2,400,000.00 and a total of R 2 610491.80 was spent on skills development during the period under review.

The WSP makes provision for the implementation of accredited training programmes such as Process Controller training, Plumbing, Electrical, Financial competency, computerised ABET, computer training and other training programmes. Implementation of these programmes has proven to be meaningful and effective and has improved service delivery. The Bursary Scheme has given opportunity to employees to acquire/improve qualifications.

The UGU District Training and Development committee has played a very good oversight role in ensuring that programmes are implemented in a fair manner and as planned. This committee sits on a monthly basis and receive reports from the Human Resources Department on the progress made.

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

Employee expenditure is closely monitored and controlled each month by the respective Managers. The budget office submits monthly reports on any over or under expenditure and Managers are required to take the necessary corrective actions in order to comply with the amounts that are on the budget. The Municipality seeks to obtain value for money from its workforce expenditure through various initiatives, such as enforcing the disciplinary actions on employees who are continuously absent at work as well as the introduction of incapacity due to ill – health procedure. Managers are required to ensure that employees are productive. The implementation of the IPMS will assist with ensuring employees' performance is managed. In addition to these, when a vacancy arises Managers are required to motivate the reasons for the post to be filled again.

Disclosures of Financial Interests		
Period 1 July to 30 June of 2015/2016		
Position	**Name**	**Description of Financial interests***
Mayor	NH Gumede	None
Member of EXCO	MA Chiliza	Taxi Owner
	IM Mavundla	None
	N Shusha	Shares – Rossimine Member: Gamalakhe & Zamokuhle Directorship: Greenville Invest Other Butransport Plant Hire & Logistics
	JS Mbuthuma	None
Councillors	GD Henderson	None
	JP Van Vuuren	Giotex Paints
	Moosa E Bux	Member: Matliwala Industries Trustee: Essop Bux Family Trust
	LN Myende	None
	TN Dzingwa	None
	NA Madlala	Shares: Old Mutual
	DH Njoko	None
	ST Gumede	None
	NY Dlamini-Mweshe	None
	NP Mpanza	None
	KBM Mbele	None
	Y Nair	Shares: Nits
	FB Shezi	None
	SM Zuma	None
	SA Khawula	None
	L Ntanza	None
	M Gavu	None
	BE Machi	None
MM	DD Naidoo	Business Partner – Sak Investments GC Reddy via Super Auto Midas
GM: CORPORATE SERVICES	VuyiweTsako	None
GM: BUDGET AND TREASURY OFFICE	Sibongile Mbili	None
GM: ECONOMIC DEVELOPMENT AND ENVIRONMENTAL HEALTH	Zakithi Mbonane	Board Member: South Africa Institute for Urban Managers Director: KZN Development Consultant cc
GM: WATER SERVICES	Lungile H Cele	None

HOW DO WE IMPROVE GOVERNMENT SPENDING?

CHAPTER 5: FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

The most expensive professional services cost being incurred by the municipality, includes the chemistry and the engineering services. the consulting chemistry service is used in compliance with the blue drop standards which is compulsory for all the registered water service providers. The engineering consultants are utilized to monitor the quality of the work of the contractors who are implementing the municipality's projects on site. More of the municipality's own personnel are obtaining the necessary qualifications to perform the work that is currently being performed by the consultants, therefore the municipality will be able to reduce the cost appointing the external consultants in the near future.

The Annual Financial Statements have been prepared in accordance with the Standard of Generally Recognized Accounting Practice (GRAP), including the interpretations, guidelines and directives issued by the Accounting Standards Board. The Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

Component A: Statement of Financial Performance

The Surplus for the year 2015/16 increased to 19.45% of total revenue from 12.07% of the previous financial year. The major contributing factor to this increase in surplus is the decrease in Depreciation and the Impairment losses on municipal assets. More work had been to update the Fixed Asset Register of the municipality, which process has resulted in a more realistic estimate of the depreciation and impairment loss costs.

The management re-assessed the collectability of the old outstanding debtors and decided to write down the book debt to the recoverable amount and as a result, the municipality has made a huge provision for impairment in the year under review.

Component B: Spending Against Capital Budget

The municipality has spent 87% of its capital budget in the year under review compared to 78% in the previous year. The improvement on the capital expenditure can be attributed to the close monitoring on the implementation of the capital project.

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

In overall, the municipality collected 95% of its targeted revenue as reflected on Appendix K. The 5% under-collection rate can be attributed to various reasons, including the debt collection strategy that was implemented in the reporting period, whereby the municipality waived the penalties and interests on the old outstanding debts to encourage the consumers to settle their debts. Therefore, although the strategy helped to improve collections, it also increased the debt impairment.

The cash flow situation of the municipality is also improving every year since 2013.

Description	2015/2016										
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9	10	11
Financial Performance											
Service charges	407 861	55 050	462 912			462 912	316 072		146 840	68.28%	77.49%
Investment revenue	5 506	8 391	13 896			13 896	30 628		(16 732)	220.41 %	556.32%
Transfers recognised - operational	381 544	(3 473)	378 071			378 071	367 873		10 198	97.30%	96.42%
Other own revenue	12 943	18 680	31 623			31 623	17 737		13 886	56.09%	137.04%
Total Revenue (excluding capital transfers and contributions)	807 854	78 648	886 502	–	–	886 502	732 310		154 192	82.61%	90.65%
Employee costs	290 324	19 442	309 766			309 766	302 658	7 108	7 108	97.71%	104.25%
Remuneration of councillors	9 916	1 151	11 067			11 067	9 544		1 523	86.24%	96.24%
Debt impairment	21 119	(50)	21 069			21 069	60 345		(39 276)	286.41 %	285.74%
Depreciation & asset impairment	49 166	46 086	95 252			95 252	192 078	(96 826)	(96 826)	201.65 %	390.68%
Finance charges	18 952	(6)	18 946			18 946	13 556		5 390	71.55%	71.53%
Materials and bulk purchases	78 322	–	78 322			78 322	129 257	(50 935)	(50 935)	165.03 %	165.03%
Transfers and grants	95 190	(4 607)	90 583			90 583	20 327		70 256	22.44%	21.35%
Other expenditure	241 600	7 188	248 788			248 788	161 357		87 431	64.86%	66.79%
Total Expenditure	804 588	69 205	873 793	–	–	873 793	889 122	(140 653)			
Surplus/(Defic				–	–					-	-

it)	3 265	9 444	12 709			12 709	(156 812)		169 520	1233.88 %	4802.41 %
Transfers recognised - capital	354 998	9 438	364 437			364 437	370 470	(6 033)	(6 033)	101.66 %	104.36%
Contributions recognised - capital & contributed assets			–			–			–		
Surplus/(Deficit) after capital transfers & contributions	358 264	18 882	377 146	–	–	377 146	213 659		163 487	56.65%	59.64%
Transfers recognised - capital	354 998	9 438	364 437			364 437	370 470	(6 033)	(6 033)	101.66 %	104.36%
Public contributions & donations	–	–	–			–			–		
Borrowing Internally generated funds	– 41 655	– 10 276	– 51 930			– 51 930			– 51 930		
Total sources of capital funds	396 653	19 714	416 367	–	–	416 367	370 470		45 897	88.98%	93.40%
Cash flows Net cash from (used) operating	399 635	51 667	451 301			451 301	414 773		– 36 528	91.91%	103.79%
Net cash from (used) investing	(337 894)	(78 473)	(416 367)			(416 367)	(364 105)		(52 263)	87.45%	107.76%
Net cash from (used) financing	(17 775)	–	(17 775)			(17 775)	(20 957)		3 183	117.91 %	117.91%
Cash/cash equivalents at the year end	43 965	(26 806)	17 159	–	–	17 159	29 711		(12 552)	173.15 %	67.58%

Table 5.1.1

Financial Performance of Operational Services						R '000
Description	2014/2015	2015/2016			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost					24.47%	17.41%
Water	569 770	485 665	531 037	643 005		
Waste Water (Sanitation)	68 577	87 542	87 823	85 879	-1.94%	-2.26%
Electricity	–	–	–	–	0.00%	0.00%
Waste Management	–	–	–	–	0.00%	0.00%
Housing	–	–	–	–	0.00%	0.00%
					21.36%	15.09%
Component A: sub-total	638 347	573 207	618 859	728 884		
Waste Water (Storm water Drainage)	–	–	–	–	0.00%	0.00%
					0.00%	0.00%
Roads	–	–	–	–		
					0.00%	0.00%
Transport	–	–	–	–		
					0.00%	0.00%
Component B: sub-total	–	–	–	–		
					0.00%	0.00%
Planning	–	–	–	–		
Local Economic Development	119 970	47 624	48 562	35 946	-32.49%	-35.10%
Component B: sub-total	119 970	47 624	48 562	35 946	-32.49%	-35.10%
Planning (Strategic & Regulatory)	–	–	–	–	0.00%	0.00%
Local Economic Development	–	–	–	–	0.00%	0.00%
Component C: sub-total	–	–	–	–	0.00%	0.00%
Community & Social Services	–	–	–	–	0.00%	0.00%
Environmental Protection	14 487	17 267	18 172	16 207	-6.54%	-12.12%
					0.00%	0.00%
Health	–	–	–	–		
Security and Safety	3 323	3 736	5 346	2 515	-48.54%	-112.52%
					100.00%	44.19%
Sport and Recreation	919		260	466		
Corporate Policy Offices and Other	152 153	162 754	182 593	197 075	17.42%	7.35%
Component D: sub-total	170 882	183 757	206 371	216 264	15.03%	4.57%
Total Expenditure	**929 199**	**804 588**	**873 793**	**981 094**	17.99%	10.94%

Table 5.1.2

FINANCIAL PERFORMANCE:
Some remarkable variances in the financial performance of the municipality have been identified and explained by the nature of expenditure below: -

Remuneration of Councillors – 19.06% Positive Variance
Some councillors positions became vacant through deaths or otherwise and it took longer for the by-elections to be held to fill those positions, hence there were savings in the councillors allowances.

Depreciation and Amortisation – 65% negative
The asset verification process that was conducted during the year under review resulted in some assets being written down or written off because they were either not identified or identified but assed for impairment. This exercise resulted in the actual depreciation amounts being less that what was estimated and provided for in the budget.

Debt Impairment losses – 160.73% negative
Some old infrastructural assets were identified during the asset verification project that was conducted during the year and most of these assets were assessed and impaired as they were very old.

Lease rentals on operating leases – 115.80% negative
The municipality had taken a decision to lease the computers instead of buying. This decision was taken after the municipality's budget for the year under review had been approved and as a result, no provision was made for the computer rentals in the approved budget of the municipality.

Interest Paid – 28.45% positive
The municipality had planned to front-load some infrastructure grant through a DBSA loan. This process which was already provided for in the 2015/2016 budget for interest expense did not materialise because the municipality had later decided that it was not cost effective.

Contracted Services – 11.17% positive
Some of our internal staff have become qualified to perform the functions that were previously outsourced due to their specialised nature, hence the municipality has realised some savings on the Contracted Services budget.

Grants and Subsidies Paid – 62.30% positive
More grants funded capital expenditure was identified as misallocated to the operational expenditure during the asset verification process and moved to WIP. This exercise resulted in the operational expenditure from Transfers and Subsidies being reduced drastically.

General Expenses – 15.48% positive
The municipality implemented some cost cutting measures, especially on the non-core related expenditure.

GRANTS

Grant Performance R' 000						
Description	2014/2015	2015/2016			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	**325 528**	**376 210**	**370 260**	**362 876**		
Equitable share	264 748	303 885	303 885	303 885	100.00%	100.00%
Municipal Systems Improvement	727	1 325	1 025	10 0	7.55%	9.76%
Department of Water Affairs		300	30 0		0.00%	0.00%
Levy replacement	54 816	58 891	58 891	58 891	100.00%	100.00%
Other transfers/grants [insert description]	5 237	11 809	6 159		0.00%	0.00%
Provincial Government:	**–**	**250**	**25 0**	**3 5**		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation						
Development Planning Shared Services		250	25 0	3 5		
District Municipality:	**–**	**5 084**	**7 562**	**–**		
Hibiscus Coast Municipality - SCDA		3 484	4 100			
Other Local Municipalities - Tourism Entity		1 600	3 462			
Other grant providers:	–	–	–	–		
[insert description]						
Total Operating Transfers and Grants	**325 528**	**381 544**	**378 071**	**362 911**		

Table 5.2.1

OPERATING TRANSFERS AND GRANTS OVERALL:

The municipality receives conditional grants and subsidies from the National Government for various projects. The total grant income for 2015/16 was R362 911 650. All grants received were utilized as per Division of Revenue Act (DORA) condition.

CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

There were no grants received from sources other than DORA during the financial year 2015/2016.

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The municipality has established an Asset Management Unit in within the Treasury departments to deal with material issues that were identified by AG in the previous audits plus the day to day operational matters. This unit is headed by the Asset manager who reports directly to the GM: Budget And Treasury Office. Some key positions have been identified to beef up the capacity of the Asset Management Unit and these positions have been included in the revised organisational structure that was adopted by Council.

The key personnel in the Asset Management unit include accountants, the technical staff and the field workers who deal with the daily operational matters including but not limited to the asset count, asset verification, and labelling.

The accountants are more involved with the fixed asset maintenance, updating the fixed asset policy, the general ledger maintenance and the asset disclosure raquiremente on the Annual Financial Statements.

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2015/2016				
Asset 1				
Name	Mhlabashane Regional Bulk Water Supply Scheme			
Description	Water Supply Scheme			
Asset Type	Infrastructure Asset			
Key Staff Involved	Project Management Unit			
Staff Responsibilities	Project Planning And Implementation			
	2012/2013	2013/2014	2014/2015	2015/2016
Asset Value	13769676.1	14175107.06	54842837.3	42552166.84
Capital Implications	Funded By Mig			
Future Purpose of Asset	Water Supply Scheme			
Describe Key Issues	None			
Policies in Place to Manage Asset	Fixed Asset Management Policy			
Asset 2				
Name	Mathulini Water Supply Phase 4-7			
Description	Water Supply Scheme			
Asset Type	Infrastructure Asset			
Key Staff Involved	Project Management Unit			
Staff Responsibilities	Project Planning And Implementation			
	2012/2013	2013/2014	2014/2015	2015/2016
Asset Value	11804516.28	10924204.75	3082691.08	185900
Capital Implications	Funded Through Mig			
Future Purpose of Asset	Water Supply Scheme			
Describe Key Issues	None			
Policies in Place to Manage Asset	Fixed Asset Management Policy			
Asset 3				
Name	Harding Weza Water Supply Scheme			
Description	Water Supply Scheme			
Asset Type	Infrastructure Asset			
Key Staff Involved	Project Management Unit			
Staff Responsibilities	Project Planning And Implementation			
	2012/2013	2013/2014	2014/2015	2015/2016
Asset Value			1200935.77	28864.77
Capital Implications	Funded Through MIG			
Future Purpose of Asset	Sanitation			
Describe Key Issues	None			
Policies in Place to Manage	Fixed Asset Management Policy			

ASSET MANAGEMENT:

The projects were managed and implemented by the Project Management Unit. The necessary feasibility studies were carried where the costs implications to carry out the projects, service potential and maintenance were established.

None of these assets were completed and commissioned at the end of the financial year 2015/2016 and therefore were reported as work in progress in the AFS.

Repair and Maintenance Expenditure: 2015/2016				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	58600	58643	63166	-8%

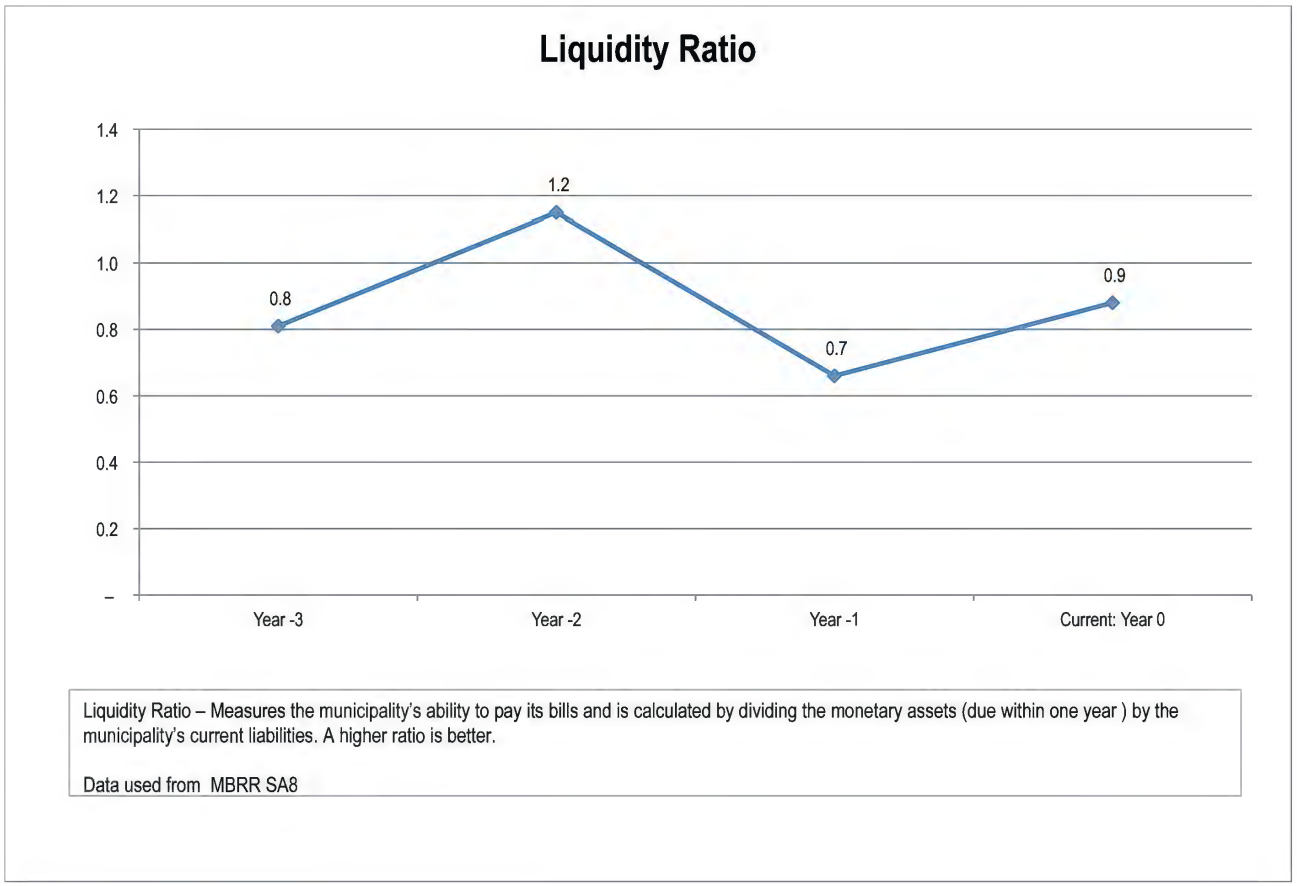
Table 5.3.4

REPAIRS AND MAITENANCE EXPENDITURE:

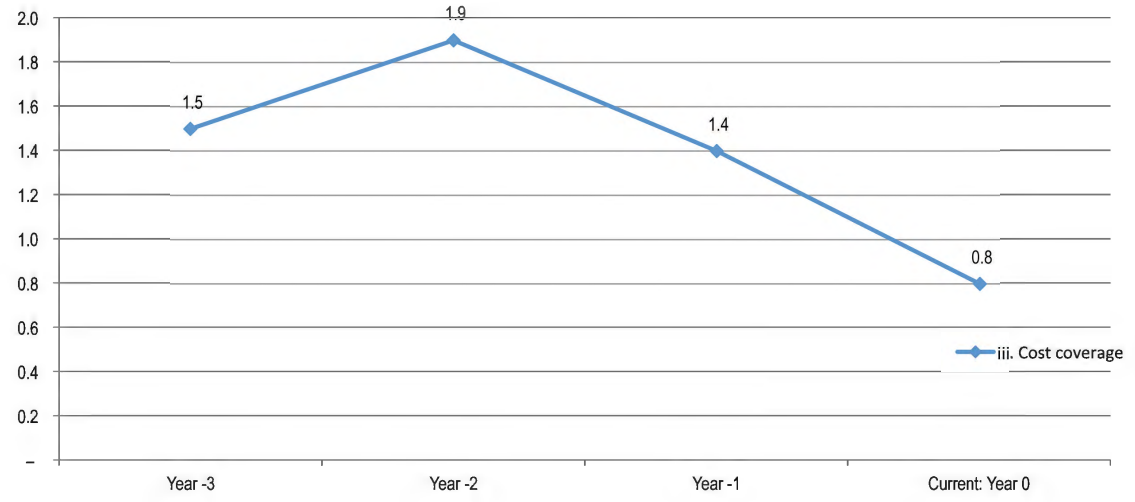
Although the table above shows that the expenditure on repairs and maintenance exceeded the original budget by 8%, this expenditure is still far below the National Treasury norm of 8% of the carrying value of the depreciable assets. This shows that the municipality is investing less on the maintenance of its revenue generating assets.

The municipality was compelled to cut its budget for repairs and maintenance during the adjustments budget to allow for the increase in the overtime budget.

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



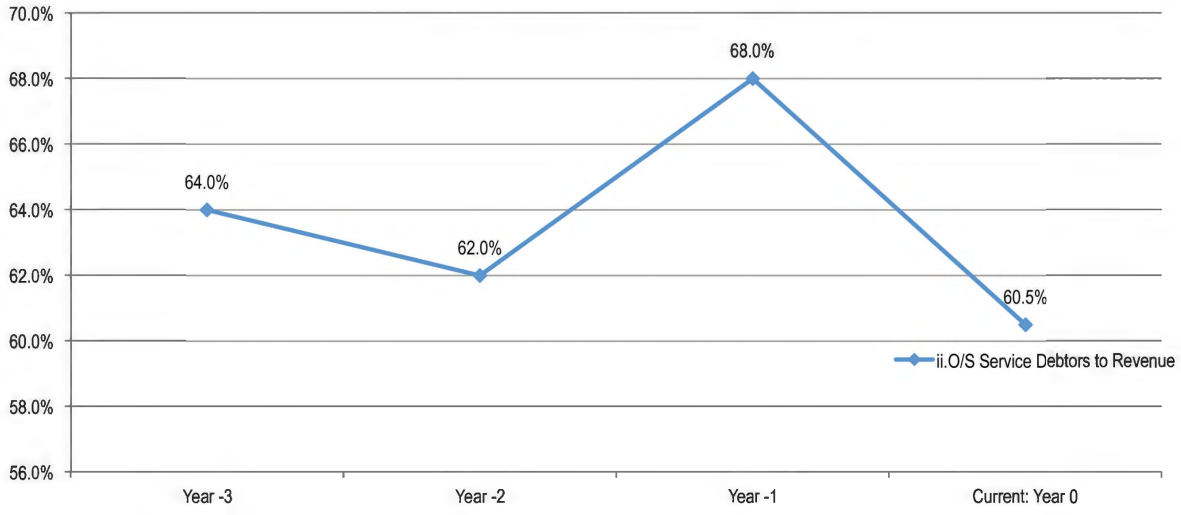
Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

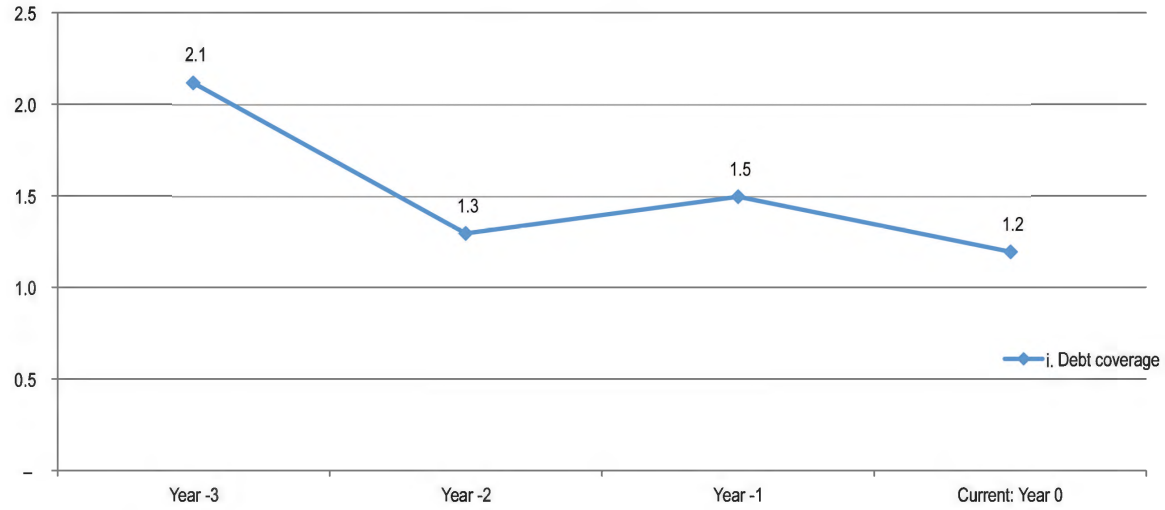
Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Data used from MBRR SA8

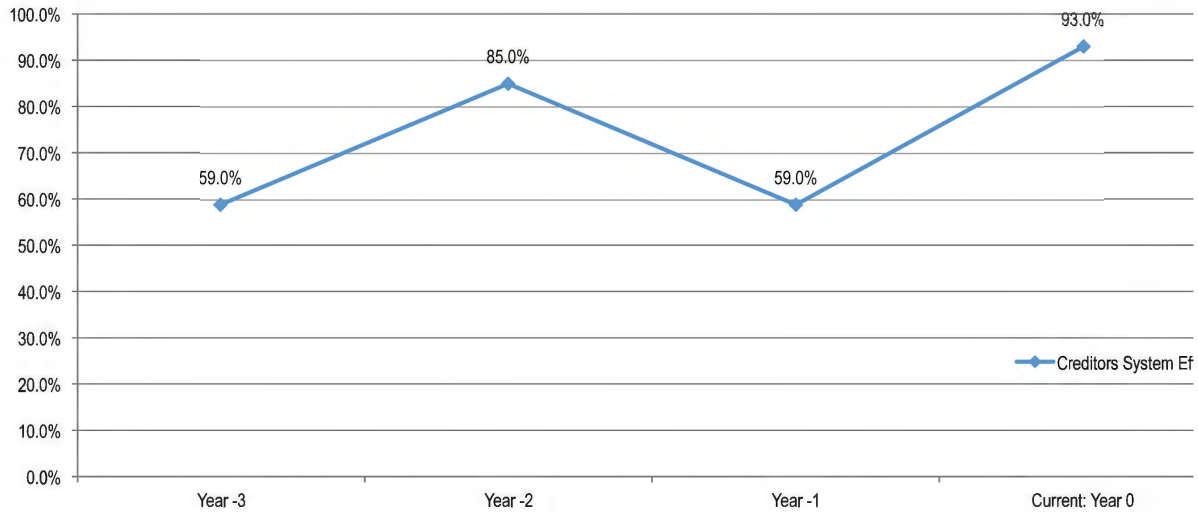
Debt Coverage



Debt Coverage– The number of times debt payments can be accomodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accomodated by the municipality

Data used from MBRR SA8

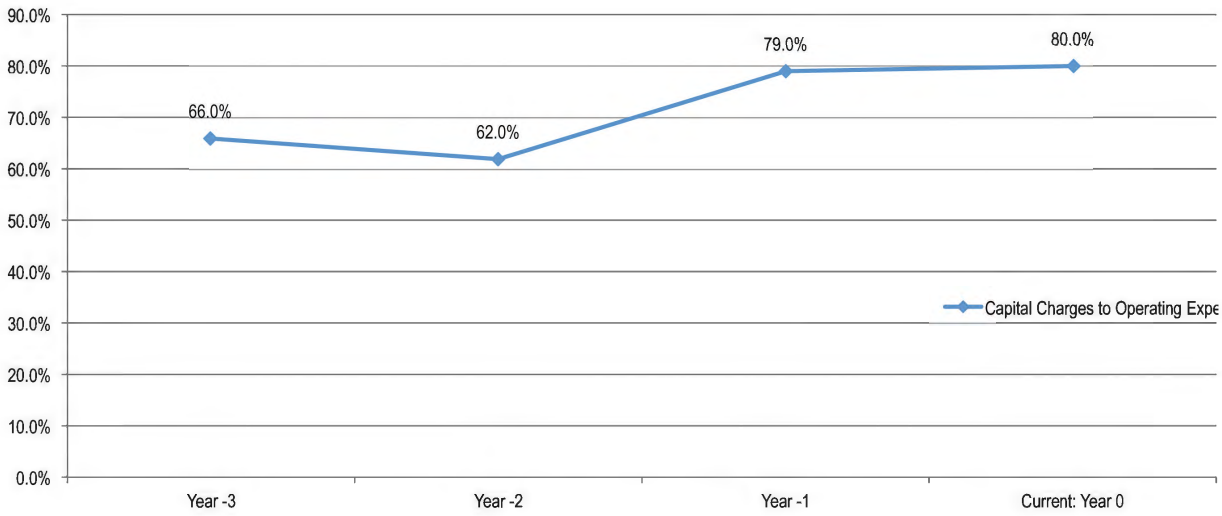
Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

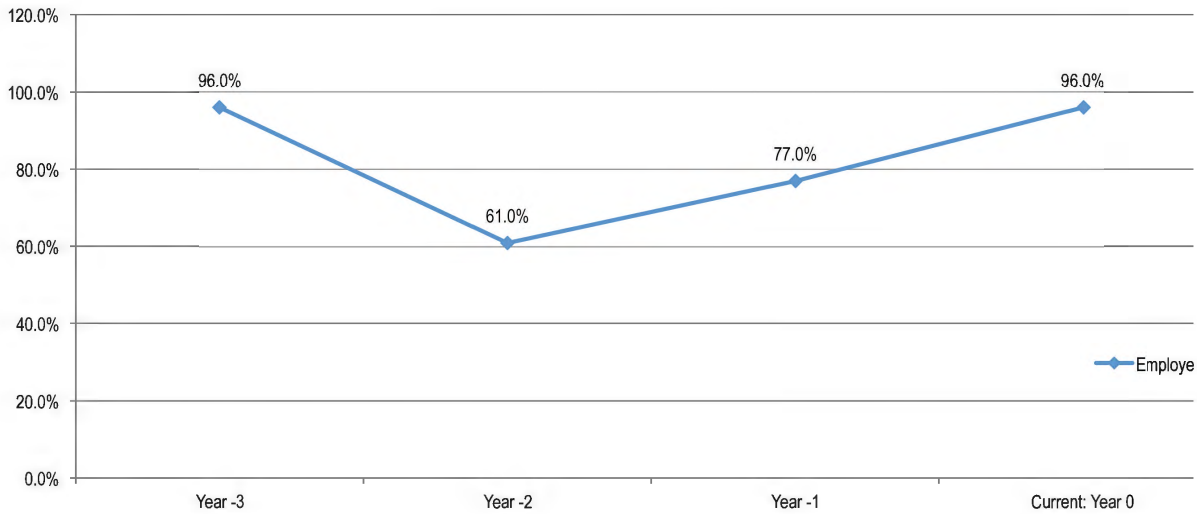
Capital Charges to Operating Expenditure



Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

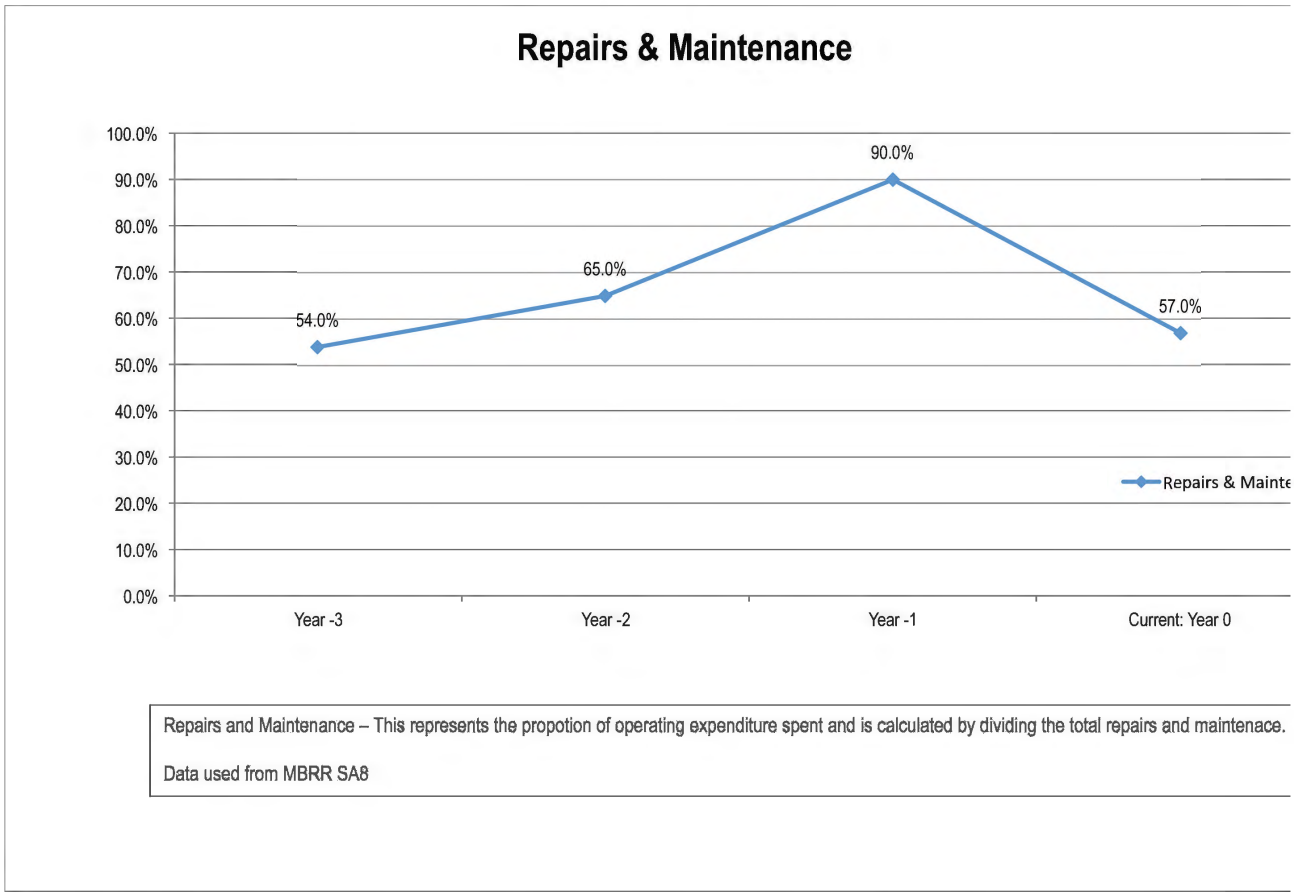
Data used from MBRR SA8

Employee Costs



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8



Repairs and Maintenance – This represents the propotion of operating expenditure spent and is calculated by dividing the total repairs and maintenace.

Data used from MBRR SA8

FINANCIAL RATIOS:

There has been an improvement in the cash flows of the municipality compared to the negative cash flows that were experienced in the previous years. The cash collection strategy that is being implemented by the municipality is beginning to reap positive results. The debt coverage has also improved as the municipality is slowly re-building its cash reserves.

The municipality has not reached its target in terms of the creditor's payment ratio, however the challenges thereon are operational in nature and are not affected by cash flows.

No new loans were taken in the reporting period and the municipality has paid off some of its financing commitments, therefore the capital charges ration of the municipality was improved in the current year.

The employee costs and the repairs and maintenance are the main operating costs that require the management's intervention and control. Although the employee cost ratio is currently below the National treasury norm, the overtime and related cost is increasing considerably. On the other hand, the municipality is failing to provide adequate funds to provide for repairs and maintenance of its ageing infrastructure in the annual budget.

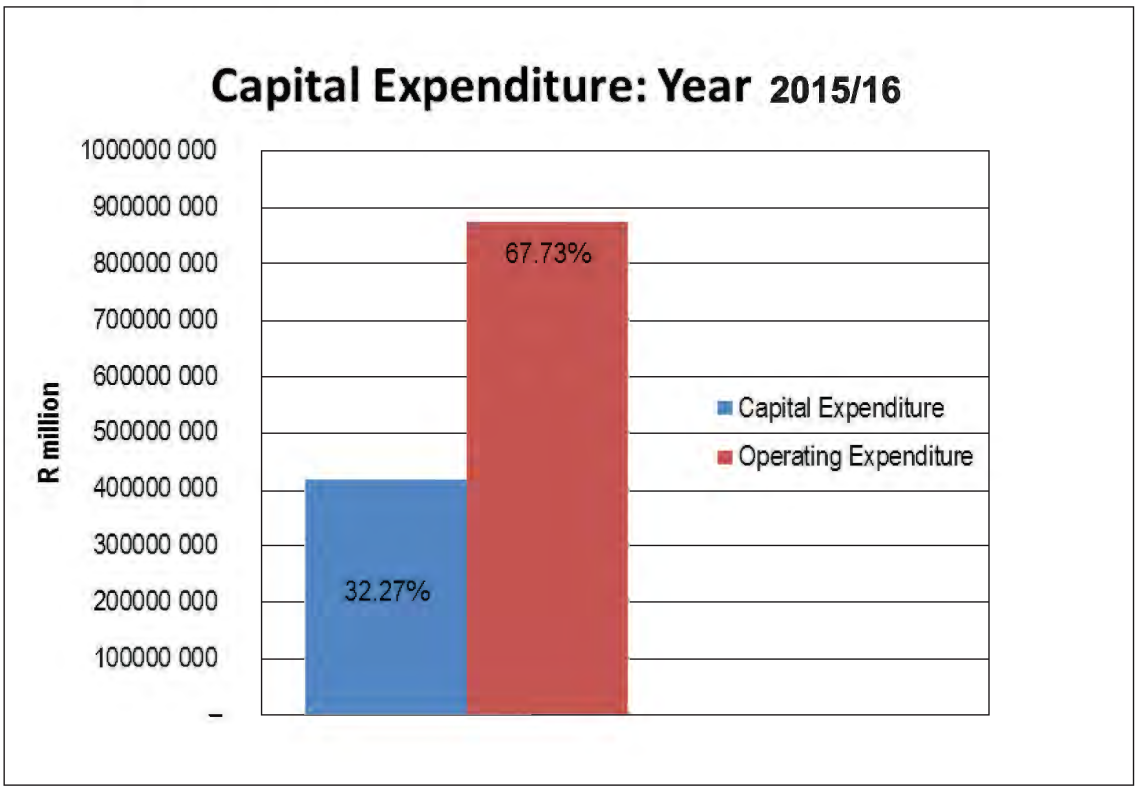
COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The three largest assets that were acquired by the municipality during the year are listed in table T5.3.2. These assets were acquired through MIG funding and are being implemented by the Project Management Unit of the municipality. These are multi-year projects, two of which were started more than three years ago. The municipality is currently overcommitted on the MIG funded projects which makes it difficult to move funds between projects even where there are identifiable challenges with the implementation of the projects on the ground.

The municipality had considered the option of frontloading with an aim sourcing additional funds to fast track the project implementation. However, upon further engagements with DBSA the municipality discovered that frontloading is not cost effective and decided not to proceed with this idea.

5.5 CAPITAL EXPENDITURE



R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure					
	397	416	**365**	7.9%	12.3%
Operating Expenditure					
	805	**874**	**889**	-10.5%	-1.8%
Total expenditure	**1 201**	**1 290**	**1 254**	-4.4%	2.8%
Water and sanitation	360	378	**329**	8.7%	13.1%
				-	-
				-	-
				-	-
Other	37	38	37	0.3%	3.7%
	138	**135**	**133**	4.0%	1.5%
External Loans	–	–	–		
Internal contributions	–	–	–		
Grants and subsidies	360	378	**329**	8.7%	13.1%
Other	–	–			
	138	**141**	**141**	-1.8%	0.0%
External Loans	–	–			
Grants and subsidies	360	378	**329**	8.7%	13.1%
Investments Redeemed					
Statutory Receipts (including VAT)					
Other Receipts					
	1 182	**1 189**	**1 192**	-0.8%	-0.2%
Salaries, wages and allowances	312	312	312	0.0%	0.0%
Cash and creditor payments	379	379	379	0.0%	0.0%
Capital payments	364	364	364	0.0%	0.0%
Investments made	–	–	–		
External loans repaid	–				

		–	–		
Statutory Payments (including VAT)	–	–	–		
Other payments	–	–	–		
	1 115	**1 198**	**1 183**	-6.1%	1.3%
	Original Budget	**Adjustment Budget**	**Un-audited Full Year Total**	**Original Budget variance**	**Adjusted Budget Variance**
Service charges: Water	408	463	316	22.5%	31.7%
Grants & subsidies: Water	363	363	363	0.0%	0.0%
Other revenue: Water	9	9	25	-187.3%	-187.3%
	779	**834**	**704**	9.7%	15.7%
Employee related costs: Water	290	305	303	-4.2%	0.7%
Provision for working capital: Water	93	139	332	-255.2%	-137.9%
Repairs and maintenance: Water	58	64	63	-8.0%	0.7%
Bulk purchases: Water	69	69	66	4.6%	4.6%
Other expenditure: Water	293	305	126	57.2%	58.8%
	805	**882**	**889**	-10.5%	-0.8%

Table 5.5.1

5.6 SOURCES OF FINANCE

Sources of Finance R' 000							
Details		2014/2015	2015/2016				
		Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
External loans		0	20000	0	0	-100.00%	-100.00%
Public contributions and donations		0	0	0	0	0	0
Grants and subsidies		329004	311749	409121	319541	31.23%	2.50%
Other		11803	5217	12424	31115	138.14%	496.42%
Total		**340807**	**336966**	**421545**	**350656**	**#DIV/0!**	**#DIV/0!**
Percentage of finance							
	External loans	0.0%	5.9%	0.0%	0.0%	0	0
	Public contributions and donations	0.0%	0.0%	0.0%	0.0%	0	0
	Grants and subsidies	96.5%	92.5%	97.1%	91.1%	#DIV/0!	#DIV/0!
	Other	3.5%	1.5%	2.9%	8.9%	#DIV/0!	#DIV/0!
Capital expenditure							
	Water and sanitation	327553	311576	408128	319541	30.99%	2.56%
	Other	13254	25390	13417	31115	-47.16%	22.55%
Total		**340807**	**336966**	**421545**	**350656**	**#DIV/0!**	**#DIV/0!**
Percentage expenditure							
	Water and sanitation	96.1%	92.5%	96.8%	91.1%	#DIV/0!	#DIV/0!
	Other	3.9%	7.5%	3.2%	8.9%	#DIV/0!	#DIV/0!

Table 5.6.1

SOURCES OF FUNDING:

The municipality spent 88% of its capital budget in the current financial year. The municipality failed to utilize its full budget on water infrastructure due to the challenges that were experienced with the project implementation on the ground. Some challenges relate to the disputes in the awarding of contracts. As most disputes arise after the municipality had already committed the funds, the municipality could not reallocate the funding to the fast-moving projects.

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects* R' 000					
Name of Project	Current: 2015/2016			Variance: Current 2015/2016	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Mhlabashane Regional Bulk Water Supply	42 552 167	42 552 167	42 552 166	0%	0%
Mathulini Water Supply Phase 4-7	185 900	185 900	185 900	0%	0%
Harding Weza Regional Water Supply Scheme	1 200 936	1 200 936	1 200 936	0%	0%
				0%	0%
				0%	0%

HIGHLIGHTS ON CAPITAL PROJECTS:

The projects were managed and implemented by the Project Management Unit. The necessary feasibility studies were carried where the costs implications to carry out the projects, service potential and maintenance were established.

None of these assets were completed and commissioned at the end of the financial year 2015/2016 and therefore were reported as work in progress in the AFS.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The municipality did not have any long-term investments during the year under review. Surplus funds were held in short term deposits to earn interest but could not be invested for longer periods due to operational requirements.

5.9 CASH FLOW

Cash Flow Outcomes R'000				
Description	2014/2015	Current: 2015/2016		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	336 046	362 971	432 549	327 981
Government - operating	383 072	376 460	372 660	362 912
Government - capital	323 181	365 937	365 937	384 330
Interest	19 476	7 919	17 874	30 628
Dividends				
Payments				
Suppliers and employees	(569 331)	(594 335)	(625 535)	(657 194)
Finance charges	(12 813)	(18 952)	(18 946)	(13 556)
Transfers and Grants	(54 692)	(95 190)	(98 606)	(20 327)
NET CASH FROM/(USED) OPERATING ACTIVITIES	**424 939**	**404 809**	**445 932**	**414 773**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	2 615			1 173
Decrease (Increase) in non-current debtors				
Decrease (increase) other non-current receivables	(263)			
Decrease (increase) in non-current investments				
Payments				
Capital assets	(328 882)	(337 894)	(410 862)	(365 278)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(326 530)**	**(337 894)**	**(410 862)**	**(364 105)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase (decrease) in consumer deposits		9 70	979	(3 064)
Payments				
Repayment of borrowing	(20 484)	(18 757)	(18 754)	(17 894)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(20 484)**	**(17 787)**	**(17 775)**	**(20 957)**
NET INCREASE/ (DECREASE) IN CASH HELD	**77 925**	**49 127**	**17 295**	**29 711**
Cash/cash equivalents at the year begin:	**168 625**	**246 549**	**246 549**	**246 549**
Cash/cash equivalents at the yearend:	**246 549**	**295 677**	**263 845**	**276 261**

Source: MBRR A7 *Table 5.9.1*

NARATIVE ON CASH FLOW OUTCOMES:

In terms of the Municipal Finance Management Act, Act 56 of 2003, section 13(2); each municipal council and governing body shall adopt by resolution an investment policy regarding the investment of its cash resources not immediately required. During the year under review, the municipality adopted a cash and investment policy. The purpose of the policy is to ensure that the cash resources of the municipality is managed effectively, efficiently and economically. The competitive and effective management of the cash and investment will ultimately result in the long-term viability and sustainability of the municipality.

The municipality did not have any long-term investments during the year under review. Surplus funds were held in short term deposits in order to earn interest as and were released to operations as and when required.

The cash held at the end of the year increased from R232 922 238 in 2015 to R256 456 861. This was the result of the austerity measures that were implemented by the municipality during the year. The collections from consumers have improved compared to the prior year's despite the challenges relating to the billing system.

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

No new loans were taken by the municipality during the 2015/2016 financial year. In the previous years, the Provincial Treasury had discouraged the municipality from taking new loans until the cash flows of the municipality have stabilized.

Actual Borrowings: Year 2013/2014 to Year 2015/2016			R' 000
Instrument	**2013/2014**	**2014/2015**	**2015/2016**
Municipality			
Long-Term Loans (annuity/reducing balance)	180428	163447	145553
Financial Leases	6568	3064	
Municipality Total	186 996	166 511	145 553

HIGHLIGHTS ON BORROWING AND INVESTMENTS:

During the year under review Ugu District Municipality maintained its investment in two 100% owned entities namely Ugu South Coast Tourism Agency and Ugu South Coast Development Agency. The investments held in each of the entities are 100 issued shares of R1 each

COMPONENT D: OTHER FINANCIAL MATTERS

5.11 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy and Standard Operating Procedures are in place and are reviewed annually with the other budget related policies.

All the contracts of the municipality are procured through the SCM process, and they are formalised in writing and vetoed through the municipality's Legal Compliance Office. A contracts administrator is responsible for the management of all the municipal contracts. The municipality maintains a contract register that is updated with all contracts that have been awarded on a regular basis.

All officials in the Supply Chain Management Unit meet the prescribed minimum competency levels as required by the Municipal Finance Management Act, Act 56 of 2003.

The demand management is managed through the procurement plan that was adopted by council as a working document of the Municipality.

There is still a great need for improvement in the following areas:

- Contracts awarded within 75 days;
- Limited or decreased irregular expenditure; and
- Skills development for the current staff in the SCM unit

5.12 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The Consolidated Annual Financial Statements have been prepared in accordance with the Standard 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. The Consolidated Annual Financial Statements have been prepared on an accrual basis of accounting and in accordance with the historical convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, the accounting policy for material transactions, events or conditions were developed in accordance with paragraphs 8,10 and 11 of GRAP3 as read with Directive 5.

Assets, liabilities revenue and expenses were not off-set, except where offsetting is either required or permitted by a Standard of GRAP.

CHAPTER 6: AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The Unqualified audit opinion for the 2015/2016 Financial Year is an indication that all our initiatives aimed at financial sustainability and good governance have paid dividends. It is significant to note that "the other matters" as contained in the audit report has diminished and that the 2016/2017 financial year should yield a clean audit opinion.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2007/08

AUDITOR GENERAL REPORTS 2014/2015

Auditor-General Report on Financial Performance 2014/2015	
Status of audit report:	Unqualified
Non-Compliance Issues	**Remedial Action Taken**
Expenditure Management and compliance Payment not made within 30 days of receiving the relevant invoice or statements	Centralisation of receiving of goods and invoices Introduce electronic goods and services receipt feature on Dynamics AX and submit exception reports to MANCO. Develop a standard template for statements and distribute to SMMEs Review and workshop contract management procedures Implementation of Dynamics AX Projects module

Table 6.1.1

6.2 AUDITOR GENERAL REPORT 2015/2016

Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA

Auditor-General of South Africa

Ugu District Municipality Audit Report 2015-16

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Ugu District Municipality

Report on the financial statements

Introduction

1. I audited the financial statements of the Ugu District Municipality set out on pages ... to ... 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 information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

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

Restatement of corresponding figures

8. As disclosed in note 45 to the financial statements a correction of error in the corresponding figures for the year ended 30 June 2015 as a result of an error discovered during 30 June 2016 in the financial statements of the Ugu District Municipality at, and for the year ended, 30 June 2015.

Material losses and impairments

9. As disclosed in note 51 to the financial statements, the municipality disclosed material water losses amounting to R27,14 million (2015: R28,21 million), this represents the loss of 10 873 536 kilolitres (2015: 11 910 110 kilolitres), as a result of technical and non-technical distribution losses. The losses arose from unmetered water connections and the provision of water to areas where there was no water infrastructure.

10. As disclosed in note 8 to the financial statements, the municipality raised a provision for bad debt impairment amounting to R266,27 million (2015: R170,38 million) on consumer debts as the recoverability of these amounts is doubtful.

Additional matter

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

Unaudited disclosure notes

12. 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

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

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the basic service delivery development priority presented in the annual performance report of the municipality for the year ended 30 June 2016.

15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

16. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objective. 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.

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the basic service delivery development priority.

Additional matters

19. I identified no material findings on the usefulness and reliability of the reported performance information for the basic service delivery development priority, however, I draw attention to the following matters:

Achievement of planned targets

20. The annual performance report on pages x to x includes information on the achievement of the planned targets for the year.

Compliance with legislation

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

Annual financial statements

22. 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 property, plant and equipment as well as commitments identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of supply chain management (SCM) regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

Asset management

24. An effective system of internal control for assets was not in place, as required by section 63(2) (c) 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 the findings on the compliance with legislation included in this report.

Leadership

26. The accounting officer did not exercise adequate oversight responsibility regarding financial reporting and compliance with legislation. In this regard, the accounting officer did not design appropriate processes and controls to support the achievement of credible reporting and compliance with legislative requirements relating to annual financial statement, procurement and contract management and assets management.

Financial management

27. Daily and monthly reconciliations were not adequate to prevent the material misstatements in the annual financial statements.

Auditor-General

Pietermaritzburg

30 November 2016

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA

FINAL MANAGEMENT REPORT

UGU DISTRICT MUNICIPALITY

30 JUNE 2016

Communicated to management on: 22 November 2016

FINAL MANAGEMENT REPORT

UGU DISTRICT MUNICIPALITY
30June 2016
Discussed with management on: 22 November 2016

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MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE UGU DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2016

INTRODUCTION

1. Our responsibility is to:

   - express an opinion on the financial statements
   - express a conclusion in the management report on the usefulness and reliability of the reported performance information for selected development priority, and report the material findings in the auditor's report
   - report on material findings relating to compliance with specific requirements in key applicable legislation, as set out in the general notice issued in terms of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

   Our engagement letter sets out our responsibilities and those of the accounting officer in detail.

2. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with legislation for the year ended 30 June 2016. These findings were communicated to management and the report details management's response to these findings. The report includes information on the internal control deficiencies that we identified as the root causes of the matters reported. Addressing these deficiencies will help to improve the audit outcome.

3. This management report consists of an executive summary and annexures containing the detailed audit findings.

4. The purpose of the management report is to communicate audit findings to the accounting officer and does not constitute public information. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remains in draft form until the final auditor's report is signed. In adherence to section 50 of the PAA, we do not disclose any information obtained during the audit and contained in this management report.

EXECUTIVE SUMMARY

SECTION 1: Interactions with stakeholders responsible for oversight and governance

5. During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome of the municipality:

Stakeholder	Number of interactions
Municipal council	1
Municipal public accounts committee	7
Mayor of the municipality	7
Municipal manager	5
Audit committee	4

6. At these interactions, we discussed and shared the matters relating to key controls and progress made on addressing deficiencies, audit approach and risks identified progress on audit and findings identified. Some stakeholders made commitments to implement initiatives that can improve the audit outcome. The commitments given and the progress of previous commitments are included in section 2.6, which deals with the assessment of assurance providers.

SECTION 2: Matters relating to the auditor's report

2.1 MISSTATEMENTS IN THE FINANCIAL STATEMENTS

6. We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

Financial statement item	Finding	Occurred in prior year	Impact R current year	Impact R prior year
Material misstatements corrected				
Non-Current Assets				
Property, Plant and Equipment	Boreholes not accounted for in the infrastructure fixed asset register.	No	R54 871 793	Not applicable
Disclosure				
Commitments	Commitments disclosed in the financial statements were not adequately supported by a detailed schedule. Subsequently a schedule of commitments was provided which was materially different from the financial statements.	No	R233 324185	Not applicable

2.2 MATTERS TO BE BROUGHT TO THE ATTENTION OF USERS

Emphasis of matter paragraphs

7. The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

8. As disclosed in note 31 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error discovered in the financial statements of the municipality during the year ended 30 June 2016.

Material losses and impairments

9. As disclosed in note 51 to the financial statements, the municipality disclosed material water losses amounting to R27, 14 million (2015: R28,21 million) , this represents the loss of 10 873 536 kilolitres (2015: 11 910 110 kilolitres), as a result of technical and non-technical distribution losses. The losses arose from unmetered water connections and the provision of water to areas where there was no water infrastructure.

10. As disclosed in note 8 to the financial statements, the municipality raised a provision for bad debt impairment amounting to R266,27 million (2015: R170,38 million) on consumer debts as the recoverability of these amounts is doubtful.

Additional matter paragraph

11. The following additional matter paragraph will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited disclosure notes

12. 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 wa do not express an opinion thereon.

2.3 REPORT ON PREDETERMINED OBJECTIVES

Introduction

13. As required by sections 4 and 20 of the PAA, read with the general notice issued in terms thereof, we have audited the reported performance information for the development priority: basic service delivery pages x to x presented in the annual performance report of the municipality for the year ended 30 June 2016:

14. We conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: Assurance engagements other than audits or reviews of historical financial information.

15. We evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned development priority. We 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 (FMPPI).

16. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. We believe that the evidence obtained from the work performed provides an appropriate basis for the reasonable assurance conclusions on the usefulness and reliability of the reported performance information expressed below.

Summary of audit conclusions

18. The following is a summary of our conclusions on the usefulness and reliability of the reported performance information:

Selected development priority	Usefulness	Reliability
Basic service delivery	*Unqualified*	*Unqualified*

Development priority: Basic service delivery

Unqualified Conclusion

19. In our opinion, the reported performance information of the basic service delivery development priority is useful and reliable, in all material respects, in accordance with the identified performance management and reporting framework.

Additional matters

20. We draw attention to the following matters. Our conclusion is not modified in respect of these matters:

Achievement of planned targets

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

2.4 FINDINGS ON COMPLIANCE WITH LEGISLATION

22. There were material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements

23. 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 property, plant and equipment as well as commitments identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

24. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of supply chain management (SCM) regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

Asset management

25. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

2.5 INTERNAL CONTROL

26. Below is our assessment of implementing the drivers of internal control based on significant deficiencies identified during our audit of the financial statements and compliance with legislation. Significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risk, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.

27. The internal controls were assessed as follows:

	The required preventative or detective controls were in place.
	Progress was made on implementing preventetive or detective controls, but improvement is still required, or actions taken were not or have not been sustainable.
	Internal controls were either not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implament appropriate controls.

28. The movement in the status of the drivers from the previous year-end to the current year-end is indicated collectively for each of the three audit dimensions under the three fundamentals of internal control. The movement is assessed as follows:

⬆	Improved
⬌	Unchanged
⬇	Regressed

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Leadership						
Overall movement from previous assessment	⬆		⬆		⬆	
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity	●	●	●	●	●	●
• Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls	😐	🙁	😐	●	😐	🙁
• Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	😐	●	●	●	●	●
• Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	●	😐	●	😐	😐	😐
• Develop and monitor the implementation of action plans to address internal control deficiencies	😐	🙁	●	🙁	●	🙁
• Establish an information technology governance framework that supports and enables the business, delivers value and improves performance	●					

	Financial statements		Performance reporting		Compliance with legislation	
	Current year	Prior year	Current year	Prior year	Current year	Prior year
Financial and performance management						
Overall movement from previous assessment	⇔		⇧		⇧	
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	😐	😐	●	😐	😐	😐
• Implement controls over daily and monthly processing and reconciling transactions	😐	●	●	😐	😐	😐
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	😐	☹	●	😐	●	☹
• Review and monitor compliance with applicable legislation	😐	😐	●	😐	😐	😐
• Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information	😐	😐	N/A	N/A	N/A	N/A
Governance						
Overall movement from previous assessment	⇔		⇧		⇧	
• Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored	●	●	●	●	●	●
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively	●	●	●	😐	●	😐
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation	●	●	●	●	●	●

Leadership

Oversight responsibility

29. The accounting officer did not adequately review the financial statements before submitting them for audit, and as a result misstatements in the areas of property, plant and equipment and commitments were not identified and corrected.

Human resource management

30. An assessment of human resource management has identified the following deficiency:

Management of vacancies

- The overall vacancy rate at year end decreased from 35% in the previous year to 31% in the current year. The rate may contribute to the municipality's inability to achieve its objectives and failure to help government to eradicate unemployment in South Africa.

Action plans to address internal control deficiencies

31. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not timeously monitor adherence to the plan as evidenced by:

- Slow responses by management during quarterly interactions.
- Management responses could not be validated.
- Commitments not being honoured within timeframes.

Information technology governance framework

32. There were no deficiencies related to IT governance, IT spending and Service Level agreements noted at Ugu District Municipality. An IT Governance Framework that is aligned to the municipality's business objectives has been developed, approved and implemented at the municipality.

Financial management

Daily and monthly processing and reconciling of transactions

33. Management did not adequately implement the following daily and monthly controls designed for the municipality's business processes:

- Reviews of indigent support for accuracy of indigent listing
- Commitments were not adequately reviewed as numerous errors were identified during the audit which resulted in the material adjustment to the financial statements.
- Fixed asset register was not reviewed for completeness as there were items that were not recorded despite this being reported in prior periods.

Regular, accurate and complete financial reports

34. As indicated in part section 2, the financial statements contained misstatements that were corrected. This was mainly due to staff members not fully executing their responsibilities in relation to the requirements of the financial reporting framework. The misstatements were subsequently adjusted by management.

Compliance monitoring

35. Non-compliance with legislation relating to items listed below could have been prevented had compliance been properly reviewed and monitored:

- Annual financial statements
- Procurement and contract management
- Asset management

Information technology systems

36. The municipality had not resolved the three previous IT audit findings. In the current year findings relating to user access management, program change management and IT service continuity.

37. There was no review of system administrator reviews done on RMS due to a system limitation in getting the log of activities. This also impacted change management as no logs of system generated changes could be generated. The Business Continuity Plan was noted to not have been tested. This was attributed by the decision of the municipality to update the current BCP.

Summary

38. The matters above, as they relate to the findings on non-compliance with legislation, will be summarised in the auditor's report as follows:

Leadership

39. The accounting officer did not exercise adequate oversight responsibility regarding financial reporting and compliance with legislation. In this regard, the accounting officer did not design appropriate processes and controls to support the achievement of credible reporting and compliance with legislative requirements relating to annual financial statement, procurement and contract management and assets management.

Financial management

40. Daily and monthly reconciliations were not adequate to prevent the material misstatements in the annual financial statements.

2.6 ASSURANCE PROVIDERS AND STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

41. The annual report is used to report on the financial position of municipalities, their performance against predetermined objectives and overall governance. One of the important oversight functions of the legislature and council is to consider municipality's annual reports. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes our auditor's report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the municipality's compliance with legislation.

42. Our reporting and the oversight processes reflect on past events, as it takes place after the end of the financial year. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

43. We assess the level of assurance provided by these assurance providers based on the status of internal controls (as reported in section 2.5) and the impact of the different role players on these controls. We provide our assessment for this audit cycle below.

Senior management-- Provides some assurance

44. Material misstatements were identified in the financial statements and annual performance report submitted for audit due to the lack of timely review by management. The misstatements were subsequently corrected by management.

45. There were inadequate systems and processes over financial reporting as there were material misstatements that could have been prevented.

Municipal manager-- Provides some assurance

46. The accounting officer provided some assurance in terms of the initiatives taken to improve the audit process and audit outcomes as the action plan was monitored and a number of prior commitments made were honoured resulting in less audit findings. The audit outcome however remained unchanged.

Mayor of municipality-- Provides some assurance

47. The Mayor of the municipality provides some assurance and has held management accountable for the outcomes in the past and is driven to improving the audit outcomes.

Internal audit– Provides assurance

48. Legislation in South Africa requires the establishment and roles and responsibilities of internal audit units. Internal audit units form part of the internal control and governance structures of the municipality and play an important role in its monitoring activities. Internal audit provides an independent assessment of the entity's governance, risk management and internal control processes.

49. The internal audit unit of a municipality must prepare a risk-based audit plan and internal audit programme for each financial year. It must advise the accounting officer and report to the audit committee on implementing the internal audit plan and matters relating to internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control and compliance with the MFMA. The internal audit unit must also perform such other duties as may be assigned by the accounting officer.

50. Internal audit have met all requirements of their operational plan and identified a number of key issues and deficiencies in the internal controls of the municipality. Recommendations were made in a timely manner to address these deficiencies identified, however the some recommendations made by internal audit were not implemented timeously by management.

Audit committee– Provides assurance

51. The audit committee is an independent advisory body to the council, accounting officer and the management and staff of the municipality on matters relating to internal financial control and internal audits; risk management; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; the DoRA, MFMA, Treasury Regulations and any other applicable legislation; performance evaluation; and any other issues.

52. The audit committee is also expected to review the annual financial statements to provide an authoritative and credible view of the municipality, its efficiency and effectiveness and its overall level of compliance with the applicable legislation.

53. The audit committee provides sufficient oversight over the internal audit function and consistently drives the good control environment at the municipality.

Municipal council– Provides some assurance

54. Municipal Council provides some assurance as they have held management accountable for deficiencies in internal controls as well as audit outcomes in the past. Adequate steps have been taken by council to ensure that action plans are implemented timeously enough to ensure an improvement in audit outcomes however additional effort is desired to improve the audit outcome.

MPAC– Provides some assurance

55. The extent to which the council adopted the MPAC guides has been considered in the assessment of MPAC as an assurance provider. MPAC has reviewed the reports that were submitted to council however the outcome of the municipality has not improved thus additional effort is required in terms of driving the audit action plan.

Status of implementing commitments and recommendations

56. Below is our assessment of the progress in implementing the commitments made by the municipality to address the prior and current year's audit findings, only two commitments were honoured out of fourteen and three requires intervention while nine are in progress:

No	Commitment	Made by	Date	Status
1	Monthly preparation and review of reconciliations as per Treasury schedule of deadlines	CFO	01/07/2015	In progress - There were still issues of on-compliance identified as per letter from Treasury.
2	Monthly Review of the Treasury Compliance Checklist	CFO	01/07/2015	In progress - There were still issues of non-compliance identified as per letter from Treasury.
3	Preparation of Interim AFS 15/16	CFO	01/02/2016	Honoured
4	Preparation and adoption of the AFS Preparation Plan 15/16	CFO	01/04/2016	Honoured
5	Adequate Review of the working paper file and AFS prior to submission	CFO	01/08/2016	In progress – There were still findings on the AFS.
6	Review of the accuracy of annual AFS by Internal Audit and Audit Committee.	CFO	13/08/2016	Intervention required – There were still issues identified on the AFS.
7	Maintain a file of all S36 deviations and ensure proper authorisation by the AO	CFO	04/01/2016	In Progress
8	Maintain a register of all variation orders	CFO	04/01/2016	In Progress
9	Ensure compliance with all SCM legislation and regulations	CFO	04/01/2016	In progress – Compliance with SCM was still identified in the current year
10	Monthly updating and review of the commitments register	CFO	01/07/2015	Intervention Required – Issues were identified on the audit of commitments.
11	Write-off of irrecoverable debt by Council	CFO	01/03/2016	Intervention required – Old and recoverable debt has not been written off.

No.	Commitment	Who to	Date	Status
12	Resolve all outstanding disputes with creditors	CFO	05/01/2016	In progress – The municipality has undergone this process and is in the process of resolving the disputes with creditors.
13	Debt collection - Data cleansing and accurate billing	CFO	04/01/2016	In Progress – The municipality is still in the process of finalising this process.
14	Debt collection- Issue reminders, letters of demand, disconnections, obtain garnishee orders.	CFO	04/01/2016	In Progress - The municipality is still in the process of finalising this process.

57. Details on the status of implementing the previous year's recommendations are provided in section 7, which summarises the detailed audit findings.

SECTION 3: Specific focus areas

3.1 FINANCIAL VIABILITY

58. Our audit included a high-level overview of the municipality's financial viability as at year-end. The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon. The financial viability assessment is expected to enhance timely remedial decision-making and policy reforms where financial viability may be at risk. It will also highlight to management those issues that may require corrective action and the urgency and magnitude of the reforms and decisions necessary to maintain operations. The information should be used to complement, rather than substitute, management's own financial assessment.

FINANCIAL VIABILITY TABLE

Please note that the management report template should be populated with the following financial viability table.

FINANCIAL VIABILITY ASSESSMENT			
(Limitation = unable to obtain sufficient appropriate information to assess the indicator)		AS AT 30 JUNE 2016	AS AT 30 JUNE2015
EXPENDITURE MANAGEMENT			
1.1	Creditor-payment period	79 Days	116 Days
REVENUE MANAGEMENT			
2.1	**Debtor-collection period** (after impairment)	68 Days	111 Days
2.2	Debtors Impairment provision as a percentage of accounts receivable	81.9%	64.2%
	• Amount of debtors impairment provision • Amount of accounts receivable	R266 277 254 R324 933 174	R170 378 206 R265 436 224
ASSET AND LIABILITY MANAGEMENT			
3.1	A deficit for the year was realised (total expenditure exceeded total revenue)	No	No
	• Amount of the surplus / (deficit) for the year	R169 839 860	R124 783 780
3.2	A net current liability position was realised (total current liabilities exceeded total current assets)	No	No
	• Amount of the net current assets / (liability) position	R139 637 802	R155 480 511
3.3	A net liability position was realised (total liabilities exceeded total assets)	No	No
	• Amount of the net asset / (liability) position	R4 020245 625	R3 849 662 024
3.4	Liquid assets as a percentage of total current liabilities (acid test percentage)	150%	154.50%
	• Amount of liquid assets (total current assets less inventory less prepayments) • Amount of total current liabilities	R381 262 004 R252 980 494	R404 717 198 R263 663 155
CASH MANAGEMENT			
4.1	The year-end bank balance was in overdraft	No	No
	• Amount of year-end bank balance (cash and cash equivalents) / (bank overdraft)	R256 456 861	R232 922 238
4.2	Net cash flows for the year from operating activities were negative	No	No
	• Amount of net cash in / (out)flows for the year from operating activities	R407 758 692	R420 196 174

FINANCIAL VIABILITY ASSESSMENT			
(Limitation = unable to obtain sufficient appropriate information to assess the indicator)		AS AT 30 JUNE 2016	AS AT 30 JUNE2015
4.3	Creditors as a percentage of cash and cash equivalents	49.8%	50.3%
	• Amount of creditors (accounts payable) • Amount of cash and cash equivalents / (bank overdraft) at year-end	R127 689 117 R256 456 861	R117 115 960 R232 922 238
OVERALL ASSESSMENT			
Overall the financial viability is assessed as:			Yellow (Concerning)

59. The debtor collection period has improved significantly from the previous year. The debtors' impairment provision has increased from the prior year and this remains a challenge due to a large number of debtors with long outstanding debt. The municipality should, as a matter of urgency, strive to recover old debt first, which will result in the improvement of the above ratio. Failure to collect from debtors could result in the municipality heavily relying on grant income.

60. The creditors payment period has improved significantly and has resulted in the creditors balance as a percentage of cash and cash equivalents improving and as a result the net asset position of the municipality has also improved.

3.2 PROCUREMENT AND CONTRACT MANAGEMENT

61. The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices.

62. A summary of the findings from the audit are as follows:

Irregular expenditure

63. R6 707 799 (2014/2015 - R40 350 455) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. There was no irregular expenditure incurred in previous years identified in the current year. 10.14% (75% in the prior year) of this irregular expenditure was identified during the audit process and not detected by the municipality's monitoring processes. The root cause is the lack of commitment to prevent or rectify findings that were identified in the prior periods indicated by repeat findings from prior periods. For the irregular expenditure incurred, goods and/or services were received.

Awards to persons in the service of the state

64. SCM Regulation 44 prohibits awards to persons or to entities owned/ managed by them if they are in service of the audited (i.e. employees and councillors) or if they are in service of any other state institution. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows:

Finding	Number and value of awards made	Number and positions of officials/ councillor	Number of providers	Further non-compliance or irregularities regarding the awards			
				Provider did not submit declarations of interest	Provider did not declare interest (false declaration)	Official/ councillor did not declare interest	Official/ councillor was involved in the procurement process
Awards to officials of other state institutions	12 R 1 966 572.50	Various positions	12	0	12		No

Procurement processes

65. The table below is a summary of findings identified on procurement processes:

	Total		Contracts		Quotes	
	Number	Value	Number	Value	Number	Value
Awards selected for testing	*68*	*R219 172 621*	*41*	*R3 158 371*	*27*	*R216 014 249*
Expenditure incurred on selected awards - current year		*R81 384 750*		*R3 158 371*		*R78 226 388*
Limitations - awards selected but could not be tested	*0*	*0*	*0*	*0*	*0*	*0*
Awards on which non-compliance was identified	*7*	*R11 790 777*	*4*	*R666 388*	*3*	*R11 124 389*
Irregular expenditure identified	*3*	*R373 616*	*3*	*R373 616*		*R 0*
Instances of irregular expenditure where goods/ services were not received	*0*	*0*	*0*	*0*	*0*	*0*

Procurement processes – general

66. Three awards were made to suppliers to the value of R373 616 who submitted invalid tax clearance certificates.

67. Two awards to the value of R1 097 198 were awarded where the preference point system was not applied correctly in terms of the Preferential Procurement Regulations.

66. Two construction awards to the value of R10 147 224 were not advertised on the CIDB website.

Internal control deficiencies

69. The SCM unit did not adequately implement and monitor the procurement processes due to a lack of understanding and interpretation of the procurement and contract management legislation.

3.3 FRAUD AND CONSEQUENCE MANAGEMENT

70. The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and to issue an auditor's report that includes our opinion. Due to the inherent limitations of an audit, there is a risk that some material misstatements, including fraud, may not be detected.

Transgressions identified in the current year

71. Unauthorised, irregular and fruitless and wasteful expenditure disclosed in note 48, 49 and 50 to the financial statements must be investigated to determine whether any official is liable for losses incurred as a result of the unauthorised, irregular and fruitless and wasteful expenditure. Disciplinary steps must be taken against officials who caused or permitted the unauthorised, irregular and fruitless and wasteful expenditure and losses incurred as a result must be recovered from the person liable.

72. This report includes other audit findings that are indicative of transgressions by officials or other role players. Summarised in the table below are allegations of transgressions that must be investigated and disciplinary steps taken based on the results of the investigations:

Finding	Number of instances	Value (R)
Supplier submitted false declaration of interest	12	R1 966 572.50

3.4 UTILISATION OF CONDITIONAL GRANTS

Utilisation of conditional grants received

73. For the financial year under review, the audit included an assessment of the effectiveness of the utilisation of the following conditional grants received:

- Municipal Infrastructure Grant (MIG)
- Municipal Water Infrastructure Grant (MWIG)
- Regional Bulk Infrastructure Grant (RBIG)

74. For each of the grants tested as per the table above, we selected key projects funded by the grant and audited the utilisation of grants on the project. Listed below are the audit findings identified for each project.

Summary of selected key project and result of testing	Details	Details	Details	Details	Details	Details
Name of grant	*MIG*	*MIG*	*MIG*	*MWIG*	*RBIG*	*RBIG*
Project/initiative funded by the grant	*Harding Sanitation Phase 3*	*Msikaba Water Supply - Phase 001*	*Masinenge Bulk water and sanitation Project*	*Maphumulo Water Supply*	*Construction of an 8.7km* 300mm Diameter Welded Steel Pipeline*	*Umhlabatshane Bulk Water Scheme:*
Achievement of planned targets	86% Complete	Complete	85% Complete	0	0	85% complete
Correctness of reported performance/achievement of targets	Correct	Correct	Correct	Correct	Correct	Correct
Results of testing procurement of goods and services for the project	No findings identified	No findings identified	No findings identified	No findings identified	No findings identified	No findings identified
Misstatements were identified on the accounting for the assets/ work-in-progress	No misstatement identified.	No misstatement identified.	Yes	No misstatement identified.	No misstatement identified	Yes
Results of testing the receipt of goods/ services for the project	No misstatement identified.	No misstatement identified.	No misstatement identified.	No misstatement identified.	No misstatement identified.	No misstatement identified.

3.5 FREE BASIC SERVICES

75. The municipality received an equitable share allocation of R303, 88 million. Of the equitable share R33, 88 million was used to fund free basic services that are meant for the poor. The following findings from the audit indicates that sufficient measures are not in place to ensure that free basic services reaches the intended beneficiaries:

76. The indigent register included customers that do not qualify to be classified as indigent.

3.6 PUBLIC PARTICIPATION

77. Sub-outcome 2 as per MTSF chapter 9 aims at addressing poor communication with communities and weak and ineffective platforms for public participation. The anticipated impact through this sub-outcome is to strengthen the capacity of municipalities, especially at ward level, for deliberate public participation through improved consultation, communication and feedback mechanisms to citizens to participate in decision-making and be kept informed of key issues and developments.

78. As part of the audit of predetermined objectives we audit compliance with the provisions of the MSA relevant to community participation. There were no findings identified relating to community participation in terms of the provisions of the MSA.

3.7 USE OF CONSULTANTS

79. The audit included an assessment of the effective use of consultants. In the local government environment, the partnership between the private and public sector has become important in driving strategic goals. To optimise the value of this partnership, we identified areas that need attention to get the best value for money.

80. The total expenditure on consultants was R 98 162 652

81. No findings were identified relating to the use of consultants.

3.8 WATER AND SANITATION

82. The audit included an assessment of the water and sanitation service delivery objective of the municipality. We focused on the following:

- Management of grant funding for water and sanitation infrastructure
- Management processes for water and sanitation infrastructure projects
- Maintenance of water infrastructure
- Water losses

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

MATERIAL MISTATEMENTS IN THE FINANCIAL STATEMENTS

1. Adjusted material misstatements in the annual financial statements

In terms of section 122(1)(a) of the MFMA, every municipality must for each financial year prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year:

The material misstatements identified by the auditors in the submitted financial statements in table 2 under section 2.2 of this report were identified and corrected by management:

This results in non-compliance with section 122(1)(a) of the MFMA.

Internal control deficiency

Financial management
Management did not adequately review the financial statements prior to issue for audit.

Recommendation

- Management should review all disclosures in the financial statements to ensure compliance with the GRAP.
- Management should ensure that all significant transactions are accurately accounted for in the financial statements

Management response

The above findings have been updated in their respective communications.

Auditor's conclusion

Management comments are noted. The adjustments made to the financial statements were audited and no exceptions were noted. The finding will however remain as a material non-compliance on material adjustments as well as asset management which will be reported in the audit report.

2. Suppliers in the service of the state

Audit Finding

In terms of S13 of the Supply Chain Management Regulation; "a supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid-

a) has furnished the municipality or municipal entity with that provider's-
   I. full name;
   II. identification number or company or other registration number; and
   III. tax reference number and VAT registration number, if any;
b) has authorized the municipality or municipal entity to obtain a tax clearance from the South African Revenue Services
c) has indicated-
   I. whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
   II. if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months
   III. whether a spouse of the of a child or parent of the provider or director, manager or shareholder or stakeholder referred to in subparagraph(ii) is in the service of the state, or has been in the service of the state in the previous twelve months "

In terms of S44 of the Supply Chain Regulation; "the supply chain management policy of a municipality and municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity must, irrespective of the procurement process followed, state that the municipality or municipal entity may not make an award to a person-

a) who is in the service of the state
b) if the person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
c) who is an advisor or consultant contracted with the municipality or municipal entity"

In terms of S45 of the Supply Chain Management Policy, "the accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in previous twelve months, including

(a) the name of that person;
(b) the capacity in which that person is in the service of the state; and
(c) the amount of the award.

During the audit, it was noted that awards were made to persons in the service of the state and the amounts disclosed are incorrect.

The details of the awards are as follows:

Details identified by the CAATS, repeat finding (supplier identified in prior period):

NO	SUPPLIER NAME	FIRST NAME	SURNAME	ID.NO	MEMBER TYPE	ORGAN OF THE STATE	AMOUNT	AMOUNT DISCLOSED	DIFFERENCE
1	AURECON SA (PTY) LTD	ZOHRA BEGUM	EBRAHIM	6,00421E+12	Director	Social Housing Regulatory Authority	857 926,89	895 568,00	37 641.11
2	BUSINESS CONNEXION (PTY) LTD	ALEX BOAMA	DARKO	5,21204E+12	Director	Transnet Group	1 473 034,11	995 064,00	-477 970 .11
3	MINOLCO (PTY) LTD	KHOMOTSO RAMASELA	MTHIMUNYE	6,51215E+12	Director	Mintek	216 768,54	107 643,00	-109 125,54
							58 055 445,05	3 365 954,00	54 689 491,05

Details of the prohibited awards approved during the current year:

NO	SUPPLIER NAME	Date	Contracts		Quotations	
			Number	Award value	Number	Total award values
1	AURECON SA (PTY) LTD	November 2015	1	570 529,31	None	None
2	BUSINESS CONNEXION (PTY) LTD	April 2016	1	995 063,87	None	None
3	MINOLCO (PTY) LTD	August 2015	1	1 171 162,17	None	None

Internal control deficiency

Financial and performance management

The accounting officer did not ensure compliance with all laws and regulations

Recommendation

- Note 50 of the financial statements need to be adjusted.
- The accounting officer should ensure compliance with all laws and regulations

Management response

Finding is noted.

Management does not have the facility to verify bidders who are in the service of the state at the time of the award however it relies on the declarations by bidders until the CAATS report is received.

The Management found out that the differences that are on the repeat finding are the expenditure for 2015 which were disclosed on the 2015/16 AFS. Note 44 attached.
The multi-year contracts that were made to the companies that are in the service of the state were disclosed under note 44 of the AFS at the year end and an adjustment will be done accordingly for those. Note 44 attached.
Letters were written to all service providers who had come out of the CAAT report previously and some of them had given proof that they were never employed by any organ of the state or they had resigned such as the following:

- **GEZINSILA LABOUR & PROTECTION SERVICES** - AP Mfeka resigned from Transnet in 2011. Letter from Transnet attached.
- **MCB PROJECTS CC** - They never had a member by the name of Brett Geyer. Shareholders Certificate Attached.
- **TEE-CEE COMMUNICATIONS (PTY) LTD** - GT Ngwazi does not work for IEC. Letter from IEC attached.
- **ROYAL HASKONINGDHV PTY LTD** - DR Mathabela is no longer employed by Transnet. Letter from Transnet attached, the letter from Gauteng Legislature and RHDHV Shareholders Certificate attached.
- **THUBALAM TRADING** - SM Gwavu is not a member for Thubalam Trading. Mr MC Mafuna is the sole owner. Shareholders Certificate and an affidavit attached.
- **WASTENG** - M. Madikizela is the sole owner of Wasteng. Shareholders Certificate attached.

The management will write letters to the new suppliers identified to be in the service of the state and they will not be transacting with the municipality going forward.

Name: Ntokozo Mkhize
Position: Manager: SCM
Date: 08 November 2016

Auditor's conclusion

Management response noted; all suppliers where there was no award during the year have been removed from the table. The table now has suppliers which were identified as prohibited and communicated to management in the prior period however management awarded new awards to these prohibited suppliers. The awards results to non-compliance and the matter is reported in the audit report.

ANNEXURE B: OTHER IMPORTANT MATTERS

Procurement and contract management

1. **Tax clearance certificates**

Audit Finding

In terms of SCM Regulation 43, "(1) The supply chain management policy of a municipality or municipal entity must, irrespective of the procurement process followed, that the municipality or municipal entity may not make any awards above R15 000 to a person whose tax matters have not been declared by the South African Revenue Services to be in order.
(2) Before making an award to a person, a municipality or municipal entity must first check with SARS whether that person's tax matters are in order"

In terms of SCM Regulation 13 "A supply chain management policy must state that the municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted the quotation or bid has authorised the municipality to obtain a tax clearance from the South African Revenue services that the provider's tax matters are in order."
In Terms of the PPR 14, "No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Services to be in order."

In terms of the municipality supply chain management policy paragraph 43:
(1) No award above R30 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
(2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.
(3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

During the audit, it was noted that the awards were made to suppliers who submitted invalid tax clearance certificates. The following tax clearances are invalid in terms of the search performed on the SARS website. There was no proof that the tax clearance certificates were verified at the time of award.

No	Item Number	Supplier Name	Tax clearance certificate number	Status	Amount	Management Response	Auditor's conclusion
1	SIV086722	WETSPEC CC	0020/1/2015/0007034867	Invalid	35 778.60	During the evaluation, the tax clearance certificates were valid. Now that the certificates used at evaluation stage have expired it will reflect as invalid on the SARS system. We are in possession of Valid Tax Clearance certificates.	Management response noted. The tax clearance is invalid based on the confirmation by SARS The finding remains.
2	SIV083290	ONE PUMPS AND REFURBISHERS CC	0020/1/2014/0006165253	Invalid	61 292.00	During the evaluation, the tax clearance certificates were valid. Now that the certificates used at evaluation stage have expired it will reflect as invalid on the SARS system. We are in possession of Valid Tax Clearance certificates.	Management response noted. The tax clearance is invalid based on the confirmation by SARS The finding remains.
3	SIV088674	WETSPEC CC	0020/1/2015/0007034867	Invalid	37 628.90	During the evaluation, the tax clearance certificates were valid. Now that the certificates used at evaluation stage have expired it will reflect as invalid on the SARS system. We are in possession of Valid Tax Clearance certificates.	Management response noted. The tax clearance is invalid based on the confirmation by SARS The finding remains.
					R373 616.69		

Internal control deficiency

Financial and performance management

- The Accounting officer or delegated official did not put adequate processes in place to ensure that the tax clearance certificates were valid at the time of award and not only when bidding documents were being submitted by bidders.

Recommendation

- The Accounting officer or delegated official should ensure that before an award is made, the tax clearance certificate of the potential winning supplier is still valid.
- The above finding should be investigated by the Accounting officer or delegated official. The population of bids should be investigated and all similar instances which have been identified should be disclosed in the annual financial statements as irregular expenditure and the updated financial statements should be provided to the auditors.
- A compliance checklist which specifically relates to supply chain management regulations and other related Acts should be developed and implemented by the municipality. This compliance checklist must be reviewed by the General Manager: Financial Services on a regular basis to ensure that all applicable laws and regulations are being complied with.

Management response

Please see table above

Name: Ntokozo Mkhize
Position: Manager SCM
Date: 08/11/2016

Auditor's conclusion

Management comments noted, findings are reported in the management report. Inspected the AFS and confirmed that the amounts were disclosed in the annual financial statements.

2. Preference points not correctly allocated

Audit finding

(1) The preferential procurement policy framework Act, 2000: Preferential procurement regulations, 2011, sub-regulation 5(2) on the 80/20 preference point system for acquisition of services, works or goods up to a Rand value of R1 million subject to sub-regulation (3), states that points must be awarded to a tenderer for attaining their B-BBEE status level of contributor in accordance with the table below.

Sub-regulation (3) states that a maximum of 20 points may be allocated in accordance with sub-regulation 5(2).

B-BBEE Status Level of Contributor	Number of points
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
No compliant contributor	0

During the audit it was noted that the Preferential Point System was applied incorrectly by the municipality, details are as follows:

- **Incorrect BBBEE points allocated to pricing calculation**

(1) **SIV083290** - The B-BBEE certificate provided by the winning bidder had expired, however the winning bidder was still awarded points for the expired BBB-EE certificate.

(2) **UGU – 05 -1340 -2015** - The winning bidder was awarded 6 point for BBB-EE for Level 4.

No	Contract Number	Supplier name	Amount	Management Comments	Auditor's conclusion
1	SIV083290	ONE PUMPS AND REFURBISHERS CC	120 032.88	The valid BEE Certificate was available at evaluation; a valid BEE was used to allocate points. See attached certificate.	Management response noted The B-BBEE certificate was invalid at the time of award The finding remains
2	UGU-05-1340-2015	LINUX BASED SYSTEMS DESIGN SA (PTY) LTD	977 165.82	It was a human error when the report was done but it was still awarded to Lenux Based Systems Design SA (PTY) LTD therefore the results of the award were not affected.	Management response noted The finding remains
			R1 166 008.70		

Internal control deficiency

Financial and performance management

- The Accounting officer or delegated official did not adequately review the pricing calculation.
- The bid evaluation committee did not confirm the accuracy of the calculations contained in the pricing schedules submitted when evaluating an award to confirm that the correct BBBEE points were allocated to the pricing calculation.

Recommendation

- The Accounting officer or delegated official should ensure that the preference point pricing calculations are adequately reviewed by a senior official before an award is made.
- The Accounting officer or delegated official should ensure that points allocated to the preference point calculation for the bidders BBBEE level is checked and referenced to the bidders BBBEE certificate issued.
- A compliance checklist which specifically relates to supply chain management regulations and other related Acts should be developed and implemented by the municipality. The compliance checklist must be reviewed by the General Manager: Financial Services on a regular basis to ensure that all applicable laws and regulations are being complied with.

Management response

Please see table above

Name: Ntokozo Mkhize
Position: Manager SCM
Date: 08/11/2016

Auditor's conclusion

Management comments noted, findings are reported in the management report.

Management response

Management agrees with the finding. The necessary procedures will be followed going forward. A compliance checklist is in place. We will ensure that it is effectively used and monitored.

Name: Mlungisi Khumalo
Position: Acting Manager: Budget Planning and Monitoring
Date: 04/11/2016

Auditor's conclusion

Management response acknowledged and the finding will be reported in the management report.

10. Five interns not appointed as required by grant conditions

Audit finding

In terms of the financial management grant conditions published in DoRA, the grant may be utilised for amongst others, the establishment of a budget and treasury office with positions filled by appropriately qualified personnel and appointment of a minimum of 5 interns over a multi-year period.

During review of the Provincial Treasury Circular TC/RM 2 of 2016/2017 dated 12 August 2016 it was noted that the municipality did not appoint a minimum of 5 interns as required.

The above finding has resulted in non-compliance with the requirements of DoRA.

Internal control deficiency

Financial and performance management:

The Accounting officer or delegated official did not take effective steps to ensure compliance with the requirements of DoRA.

Recommendation

A compliance checklist which specifically relates to DoRA laws and regulations should be developed and implemented by the municipality. This compliance checklist must be reviewed by the General Manager: Treasury (CFO) on a regular basis to ensure that all applicable laws and regulations are being complied with.

Management response

Management agrees with the finding. The advert was for five interns, however the fifth applicant declined the offer. The municipality is in the process of re-advertising the position.

Name: Mlungisi Khumalo
Position: Acting Manager: Budget Planning and Monitoring
Date: 04/11/2016

Auditor's conclusion

Management response acknowledged and the finding is reported in the management report.

Property, plant and equipment's

11. No approved routine maintenance policy

In terms of section 11(3) (a) of the municipal systems act which states "A municipality exercises its legislative or executive authority by developing and adopting policies, plans, strategies and programmes, including setting targets for delivery";

The municipality does not have an approved policy in place for routine maintenance of water infrastructure.

A policy provides guidelines to the members of the municipality for deciding a course of action, thus ensuring a uniformity of action. In the absence of a policy, proper decision making and monitoring of the water and sanitation infrastructure system will not be achieved.

Internal control deficiency

Leadership:
Management did not establish and communicate policies and procedures to enable and support decision making to achieve desired outcomes in respect of the management of water and sanitation infrastructure.

Recommendation

Management should develop, approve and implement a policy for routine maintenance of water infrastructure.

Management response

Management agrees with the finding.

While the municipality has maintenance plans and procedure manuals, the need for the development, approval and implementation of the maintenance policy is acknowledged.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted, the matter will be followed up during the next audit. The finding will be reported in the management report.

12. Projects not completed on planned dates

Audit finding

In terms of section 62(1) (c) (i) of the MFMA, "An Accounting Officer (AO) for a municipality must ensure that the municipality has and maintains effective efficient and transparent systems of financial and risk management and internal control." Section 62(1) (a) states that the AO "is responsible for the effective, efficient, economical and transparent use of resources of the municipality."

During the audit it was noted that for the projects listed below, the date of completion was not as per the planned date of completion and for some projects, spending was at 100 per cent yet the projects were not yet complete.

Water projects

Number	Project	Planned completion date	Estimated completion date	Approved Budget R	Actual
1.	Mhlabatshana Bulk Water	2016/02/28	2017/09/30	R166 000 000.00	R138 129 906.40
2.	Gamalakhe Bulk Water Supply	2016/07/31	2016/12/15	R88 665 209.29	R77 307 792.67
3.	KwaXolo Water supply	2016/12/12	2018/08/30	R67 863 194.53	R26 078 024.42
4.	KwaNyuswa Water Supply	2012/06/29	2017/03/30	R70 250 371.00	R51 692 746.73
5.	Mabheleni East Water	2011/11/30	2025/12/30	R48 434 210.00	R3 371 801.05
6.	Masinenge Bulk Water and Sanitation	2015/11/27	2017/08/30	R14 708 339.32	R14 708 339.32
7.	Msikaba and surrounds water supply scheme	2016/06/01	2020/12/30	R155 095 000.00	R49 672 438.08
8.	Umzinto Slums clearance water and sanitation	2016/10/27	2018/10/30	R77 822 259.00	R69 585 542.64
9.	Water pipeline replacements	2016/02/29	2020/12/30	R705 000 000.00	R251 134 269.94
10.	Mistake Farm supply scheme	2015/04/30	2018/06/30	R28 287 318.00	R2 776 864.77
11.	KwaLembe Bulk Water Extension	2016/06/01	2020/12/30	R21 011 910.00	R4 698 483.49

Sanitation projects

Number	Project	Planned completion date	Estimated completion date	Approved Budget R	Actual
1.	Malangeni Low Cost Housing	2015/11/30	2020/12/30	R43 527 374.00	R15 856 606.75
2.	Sanitation Refurbishment	2014/06/30	2017/11/30	R59 000 000.00	R44 280 237.57
3.	Umzinto Waste Water treatment Works	2015/11/30	2020/11/30	R81 100 000.00	R9 574 343.86
4.	Pennington Waterborne sanitation	2013/12/20	2018/11/30	R39 081 603.00	R5 134 955.63
5.	Harding Sanitation scheme	2013/08/26	2017/03/30	R48 763 949.00	R40 855 557.62
6.	Margate Sewer pipeline replacement	2014/08/29	2017/11/07	R24 562 091.00	R10 901 694.66
7.	Masinenge /Uvongo Sanitation	2014/11/14	2021/11/30	R169 342 543.00	R12 003 085.03
8.	Bhobhoyi/Mkholombe Sanitation	2015/05/31	2018/05/31	R3 720 846.00	R3 513 972.90

Internal control deficiency

- Inadequate feasibility study conducted for the projects to ensure that all technical requirements were timely addressed
- Lack of coordination between role players to ensure timeous service delivery and ability to effectively fund the project
- Community stopping the contractors
- Delays due to poor performing contractor

Recommendation

It is recommended that:

- The municipality should conduct proper feasibility study to ensure that matters impacting the completion of the project are timely resolved.
- The municipality should as a matter of urgency engage with its joint partners with the aim of fast tracking these projects and securing funding to ensure that the projects are finalized.
- Raising of penalties should be considered for slow progress and contractor defaults

Management Comment

Management acknowledges the finding.
It must be noted that not 100% of the approved budget had been spent.
Lack of adequate funding allocation has led to non-adherence to planned project completion dates.
Termination clauses are evoked for non performing service providers.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted, however, the matter will be followed up during the next audit. The finding will be reported in the management report.

13. Inadequate access controls

Audit Finding

In terms of section 63(1) (a) and (2) (c) of the MFMA, "The accounting officer of the municipality is responsible for the assets of the municipality, including the safeguarding and the maintenance of those assets, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

In terms of part 9 of the asset management policy "Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets."

During physical verification of infrastructure assets the assets below had gates that were unlocked, which exposes the assets to unauthorized access and potential damaged:

No	Item description 1	Item description 2	Location
1	Infrastructure	Reservoir	Port Edward Res
2	Infrastructure	Reservoir	Umbango A Res
3	Infrastructure	Steel tower Res	Umbango A Res
4	Infrastructure	Reservoir	Seaslopes B Res
5	Infrastructure	Reservoir	Seaslopes A Res
6	Infrastructure	Reservoir	Gamalakhe B Res
7	Infrastructure	Reservoir	Gamalakhe A Res
8	Infrastructure	Reservoir	Leisure Bay
9	Infrastructure	Reservoir	San Lameer
10	Infrastructure	Reservoir	Selly Beach B RES
11	Infrastructure	Reservoir	Uvongo A Res
12	Infrastructure	Reservoir	Uvongo B RES
13	Infrastructure	Reservoir	Upper Banners Rest
14	Infrastructure	Reservoir	Bromsfield
15	Infrastructure	Reservoir	Margate A(1)
16	Infrastructure	Reservoir	Margate B(2)

Internal control deficiency

Financial and performance Management

The asset manager along with the PMU and WSO departments did not ensure that access to all municipal assets is restricted to those who need to perform their duties.

Recommendation

The asset manager must take all reasonable steps to ensure that access to municipal assets is restricted to authorized parties.

Management response

Management agrees with the finding.

The necessary internal controls will be enforced in ensuring that access is restricted to authorized people only on all municipal properties.

Name: Lungi Cele

Position: GM: WATER SERVICES
Date: 07/11/2016

Auditor's conclusion

Management response noted; the matter will be followed up during the next audit. The finding is reported in the management report.

14. Inadequate maintenance of Infrastructure Assets

Audit Finding

In terms of section 63(1) (a) and (2) (c) of the MFMA, "The accounting officer of the municipality is responsible for the assets of the municipality, including the safeguarding and the maintenance of those assets, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

1. During physical verification of infrastructure assets it was noted that maintenance of the municipal infrastructure assets was inadequate which will eventually affect service delivery. Below is the list of assets where maintenance is required:

No	Item description 1	Item description 2	Location
1	Infrastructure	Reservoir	Gamalakhe A Res
2	Infrastructure	Reservoir	Leisure Bay
3	Infrastructure	Reservoir	San Lameer
4	Infrastructure	Reservoir	Selly Beach B RES
5	Infrastructure	Reservoir	Uvongo A Res
6	Infrastructure	Reservoir	Uvongo B RES
7	Infrastructure	Reservoir	Upper Banners Rest
8	Infrastructure	Reservoir	Bromsfield
9	Infrastructure	Reservoir	Margate A(1)
10	Infrastructure	Reservoir	Margate B(2)

2. During the verification of assets the following issues were also identified:

(a) At Ramsgate South the assets listed below had not been working for a period of approximately 6 months with no reasonable steps taken to rectify the situation:

Description	Asset Number	Location
Recycling Pumps 1	1	Ramsgate South
Recycling Pumps 2	2	Ramsgate South
Motor	20222	Ramsgate South
Motor	20226	Ramsgate South
Pump	20211	Ramsgate South

(b) At Margate WWTW the assets listed below needed mechanical attention:

Description	Asset Number	Comment
Gearbox	19304	Attached to clarifier not working
Motor	19303	Attached to clarifier not working
Pump Room	7	Flooded as a result of a pump that is leaking, leak been closed with a cloth instead of the leak being welded closed.

The concern here is that the lack of maintenance in the district will eventually lead to the collapse of the infrastructure assets network which will eventually affect service delivery. It should also be noted that for assets that have gone for repairs no documentation could be provided to record the movement of assets.

Internal control deficiency

Financial and Performance Management:

The asset manager along with the PMU and WSO Departments did not take all reasonable steps to ensure that the infrastructure assets are maintained.

Recommendation

The asset manager along with the PMU and WSO departments must prepare a detailed maintenance plan that will ensure the proper service and maintenance of all infrastructure assets in the district. The plan should also address controls around the movement of assets that go for repairs.

Management response

Management agrees with the finding.

The implementation of the maintenance plans shall be prioritized after consideration of budgetary requirements.

Name: Lungi Cele
Position: GM: WATER SERVICES
Date: 07/11/2016

Auditor's conclusion

Management response noted, the matter will be followed up during the next audit. The finding is reported in the management report.

15. Infrastructure Assets without labels

Audit Finding

In terms of section 63(1) (a) and (2) (c) of the MFMA, "The accounting officer of the municipality is responsible for the assets of the municipality, including the safeguarding and the maintenance of those assets, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

In terms of part 10 of the asset management policy "The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerized fixed asset register.

The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question."

During the audit it was noted that assets of fixed nature such as Reservoirs and clarifiers as listed below did not have an identification number both on the ground and in the fixed asset register. The impact here is that the assets are not separately identifiable.

No	Asset Description	Location
1	Reservoir	Glenmore
2	Reservoir	Leisure Bay
3	Reservoir	Ramsgate South
4	Reservoir	San Lameer
5	Reservoir	Umbango B Res
6	Reservoir	Port Edward Res
7	Secondary Treatment: Clarifier: Clarifier	Shelly Beach WWTW
8	Reservoir	Kaiser Res
11	Reservoir	Uvongo A Res
12	Reservoir	Uvongo B RES
13	Reservoir	Florida A
14	Reservoir	Upper Banners Rest
15	Reservoir	Margate A(1)
16	Reservoir	Margate B(2)
17	Steel tower Res	Umbango A Res
18	Reservoir	Ramsgate North
19	Reservoir	Marburg 2 RES
20	Reservoir	R1 reservoir
21	Reservoir	Seaslopes B Res
22	Reservoir	Seaslopes A Res

No	Asset Description	Location
23	WWTW: Shelly 0 RC Structure	Shelly Beach WWTW

Internal control deficiency

Financial and Performance Management:

The asset manager did not ensure that all infrastructure assets are tagged and/or separately identifiable.

Recommendation

The asset manager must as part of a maintenance plan identifies all assets that have no barcodes/tags/identification number/labels and ensure that the assets are accounted for on the asset register.

Management response

Management agrees with the finding.

Management will ensure a roll out plan for the labelling of infrastructure assets and incorporate this in the maintenance plans.

Name: Lungi Cele
Position: GM: WATER SERVICES
Date: 07/11/2016

Auditor's conclusion

Management response noted, the matter will be followed up during the next audit. The finding is reported in the management report.

16. Incorrect classification of completed assets

Audit Finding

In terms of section 62(1) (b) of the MFMA, "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept."

During the audit it was noted that the completed assets listed below has been included in the schedule of Work in Progress resulting to understatement of completed projects and depreciation:

No	Assets	Description	Start date	Auditor's Reasons for delays	Closing WIP 15/16	Management Response
4	Malangeni Waterborne Sanitation Project Phase 2A	Reticulation	2014/08/15	Completed and reported on APR	149 236.13	Complete
5	Malangeni Waterborne Sanitation Project Phase 2A	Reticulation	2014/08/15	Completed and reported on APR	509 781.80	Complete
6	Malangeni Waterborne Sanitation Project Phase 2A	Reticulation	2014/11/06	Completed and reported on APR	279 309.62	Complete
7	Malangeni Waterborne Sanitation Project Phase 2A	Reticulation	2015/06/05	Complete	1 097 334.35	Complete
23	Mhlabatshane Regional Bulk Water Supply Phase 4	Reticulation	2015/06/05	Complete	1 580 247.53	Complete (This relates to reticulation)
					R3 615 909.43	

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Internal control deficiency

Financial and performance management:

The asset manager did not liaise with PMU and WSO to ensure that all items of work in progress (WIP) that have been completed have been transferred to the infrastructure assets register as completed assets.

Recommendation

The asset manager, PMU and WSO must formally liaise and ensure that all completed assets have been removed from the WIP schedule and included in the infrastructure asset register as completed projects.

Management response

1. Please refer to the table above
2. For the projects that are complete, the necessary adjustments will be processed.

Name: Lungi Cele / Zandile Maphumulo
Position: GM: WATER SERVICES/ MANAGER: ASSETS
Date: 07/11/2016

Auditor's conclusion

Management response noted. The finding is reported in the management report in relation to completed projects and followed up next year.

17. Slow moving Work in Progress (WIP)

Audit Finding

In terms of section 62(1) (b) of the Municipal Finance Management Act, "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept."

During the audit it was identified that items of Buildings are slow moving. In general the Buildings WIP schedule has a high volume of items that is considered to be slow moving and as a result there is a possibility that costs relating to building projects have been capitalized to WIP where the municipality has no intention to complete construction of the assets.

No	Asset description	ntclass	Description ntclass	Asset Category	CLOSING WIP 15/16
1	Land development	215	Office Building	immovable	5 870.00
2	Mbango- Waster Water Treatment Work	215	Office Building	immovable	6 362.23
3	Melville- Waster Water Treatment Work	215	Office Building	immovable	6 362.23
4	Hibberdene- Waster Water Treatment Work	215	Office Building	Immovable	6 362.23
5	Red Desert- Waster Water Treatment Work	215	Office Building	immovable	6 362.23
6	Margate- Waster Water Treatment Work	215	Office Building	immovable	6 362.23
7	Ramsgate- Waster Water Treatment Work	215	Office Building	immovable	6 362.23
8	Munster- Waster Water Treatment Work	215	Office Building	Immovable	6 362.23
9	Skogheim Packaging Plant	215	Office Building	immovable	6 362.23
10	Southbroom Waste Water Treatment Works	215	Office Building	immovable	6 362.23
11	Shelly Beach Waste Water Treatment Works	215	Office Building	immovable	6 362.23
12	Land development	215	Office Building	immovable	65 087.70
					R134 580.00

During the audit of Infrastructure Assets the following issues were identified:

-Items of WIP at 30 June 2016 have the same balance as at 01 July 2011 please refer to the table below:

No of Assets	Asset description	OPENING WIP 11/12	CLOSING WIP 15/16
244	Infrastructure	R314 299 376.71	R314 299 376.71

The WIP schedule has a high volume of items that is considered to be slow moving and as a result there is a possibility that costs relating to projects have been capitalised to WIP where the municipality has no intention or ability to complete the projects.

Internal control deficiency

Financial and performance management:

The asset manager along with the PMU and WSO departments have not taken all reasonable steps to identify and follow up on projects where little to no progress has taken place and not all completed assets have been transferred to completed infrastructure assets.

Recommendation

- The asset manager along with the asset accountant must as a matter of urgency revisit the WIP schedule; analyze it and identify items where there is no intention to complete and write off those costs.
- Completed assets should be transferred to completed infrastructure assets.

Management response

Management notes the finding.

1. The items highlighted as slow moving buildings relate to conveyance fees which were incorrectly capitalized. The necessary adjustment shall be processed.

2. The WIP schedule will be analysed and any adjustments where necessary will be made.

Name: Lungi Cele / Zandile Maphumulo
Position: GM: WATER SERVICES/ MANAGER: ASSETS
Date: 07/11/2016

Auditor's conclusion

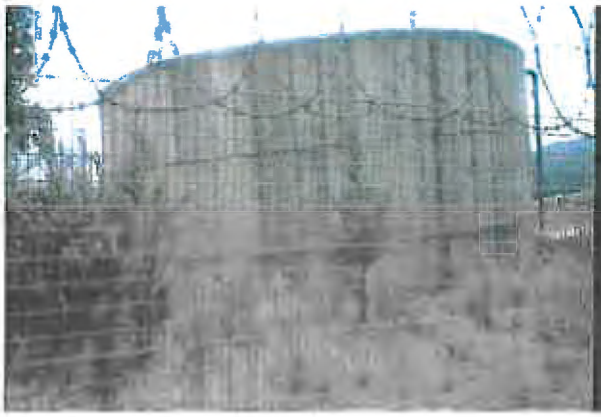
Management response noted; the matter will be followed up during the next audit. The finding is reported in the management report.

Slow progress over water project – Nyavini and KwaMgayi bulk water supply and reticulation

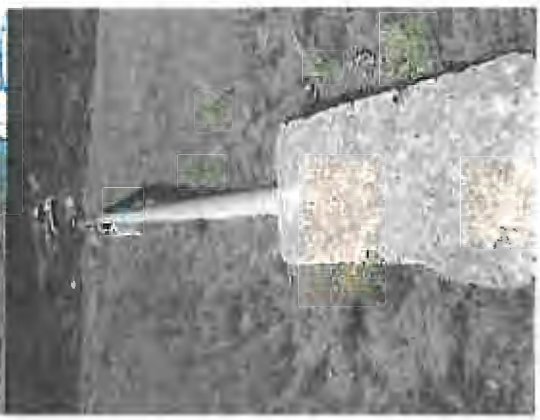
During the site visits of water infrastructure projects conducted on the 18 October 2016, it was noted that the infrastructure part of the reservoirs were completed (in 2013), but could not be utilised as this is dependent on the water treatment works (WTW) upgrade at Vulamehlo, a joint project under the overall management of Department of Water Affairs. To date the following costs were incurred. These infrastructure were completed in 2013 remain idle and not adequately protected with the risk of damage and hazards.

Project	Start date	Estimated completion date	Amount spent to date
KwaMgayi MIGFDC21155906	2012/06/30	Blocked	R12 443 318.35
Nyavini MIGFDC2111967	2009/02/28	Blocked	R11 862 945.69
Nyavini MIGFDC2111967	2010/06/30	Blocked	R5 984 635.01

KwaMgayi Reservoir



Nyavini Pipeline



Internal control deficiency

- Inadequate feasibility study conducted for the projects to ensure that all technical requirements were timely addressed
- Lack of effective value chain-oriented project planning
- Lack of coordination among role players to ensure timely completion of the projects and ability to effectively fund the project

Impact

- Extensive delays in providing reliable and clean water delivery to the community (comprising approximately 23 500 households) who are currently dependent on spring and bore water.
- Increase in project budgets as result of escalation in construction and material costs, and inflation over the years.
- Community unrest on the lack of water delivery.

Recommendation

It is recommended that: the municipality should as a matter of urgency engage with its joint partners with the aim of fast tracking these projects and securing funding to ensure that the projects are finalized.

Management Comment

We agree with the recommendation, we will ensure that the Vulamehlo WTW is completed to ensure that the two project are connected and working.

Please note that the Department of Water and Sanitation is the funder of the project while the municipality implements the project.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted, however, the matter will be followed up during the next audit. The finding will be reported in the management report.

Delays in completion of water project – Masinenge/Margate bulk water and sanitation

During the site visits on 18 October 2016 it was noted that in relation to the Masinenge/Margate pipeline projects, about 300m of pipelines that could not be laid because a portion of land being owned by a non-profit organisation.

The contractor is dragging progress on site since the revised programme was not approved by the engineer. The progress to date is 85% complete and the project is estimated to be completed in August 2017.

Masinenge pipeline

Internal control deficiency
Inadequate feasibility study conducted and therefore access to land was not addressed.

Impact

- Extensive delays in realisation of water delivery to the community.
- Increase in project budgets as result of escalation over the years.

Recommendation

It is recommended that:

- The municipality should conduct proper feasibility study to ensure that matters impacting the completion of the project are timely resolved
- Municipality should engage with the owner of the land and make appropriate arrangements so that the project can reach completion

Management Comment

We agree with the finding.
Processes are underway to secure the land while designs are being reviewed for possible reroute of the pipeline as an alternative.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted, however, the matter will be followed up during the next audit. The finding is reported in the management report.

Delays in completion of - Msikaba projects

During the site visits conducted on the 18 October 2016 the following project was almost complete as the contractor was attending to snags, however the reservoir is not operational yet

Project	Start date	Estimated completion date	Amount spent to date
Msikamba MIGFDC21199135	2012/06/30	Appointing a new contractor	R16 047 536.23

Internal control deficiency

- Delays due to poor performing contractor and critical project management and monitoring were not effectively conducted at key milestones dates to ensure that the project was completed timeously and within its contractual completion date.
- Penalties not charged for poor performance by the contractor.

Impact

- Extensive delays in realisation of water delivery to the community.
- Increase in project budgets as result of escalation over the years.

Recommendation

It is recommended that:

- The requirements of the contract should be project managed efficiently, to ensure the successful completion of the project within its contractual completion date.
- Raising of penalties should be considered for slow progress and contractor defaults.

Management Comment

We acknowledge the audit findings and steps will be taken to address the issues.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted, however, the matter will be followed up during the next audit. The finding is reported in the management report.

Inability of the district municipalities to secure funding to implement infrastructure projects.

Based on the analysis of water infrastructure projects we have noted slow progress over a long period of time regarding the following projects:

Project	Start date	Estimated completion date	Amount spent to date
Ugu storm	2009/04/29	TBC	R7 517 396.43
Ugu storm-Melville Package Sewage – Disaster	2010/06/30	TBC	R10 901 192.81
Ugu storm-Umzinto Sanitation	2010/06/30	TBC	R7 838 715.98
Mathulini Water mlgfdc2114215	2010/09/30	TBC	R13 148 544.24
Mathulini Water Mlgfdc2114215	2012/06/30	TBC	R12 259 211.12

Internal control deficiency

- Inefficient project management processes to ensure key milestones were met, viz. timely application for funds to implement the projects.

Impact

- Extensive delays in realisation of water delivery to the community.
- Increase in project budgets as result of escalation over the years.

Recommendation

- The municipality should urgently make (follow up) application/s of funding to DBSA and other Grant from relevant department to address shortcoming.

Management Comment

We agree with the finding.

The municipality will continue to engage with DBSA to ensure funding.

Name: Lungi Cele
Position: GM: Water Services
Date: 07 November 2016

Auditor's conclusion

Management response noted; the matter will be followed up during the next audit. The finding is reported in the management report.

18. WIP transferred at incorrect amounts

Audit Finding

In terms of section 62(1) (b) of the Municipal Finance Management Act, "The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept."

During the audit of fixed assets it was identified that complete WIP items were transferred to infrastructure assets at incorrect amounts:

WIP item	Amount transferred	Amount of expenditure as per Reconciliation Provided	Difference
Refurbishment of Sewer Pump stations Phase 1 Zone 2	-R14 910 207.30	R15 679 130.21	R768 922.91
Rehabilitation of Umzinto Waste Water treatment Works	-R11 399 306.64	R11 064 908.89	-R334 397.75

Internal control deficiency

Financial and performance management

The asset manager as well as the asset accountant did not take reasonable steps to ensure that all costs incurred for the WIP projects reconciled to the costs transferred to completed infrastructure assets.

Recommendation

The asset manager along with the asset accountant must perform a reconciliation of all costs incurred per project and ensure that the amount transferred to completed infrastructure assets agrees to the reconciled amount.

Management response

Management agrees with the finding.

The necessary adjustments will be processed.

Name: Zandile Maphumulo
Position: MANAGER: ASSETS
Date: 07/11/2016

Auditor's conclusion

Management response noted; the finding is reported in the management report.

VAT Receivables

19. Receivables - Difference between VAT 201 and General Ledger

Audit Finding

In terms of s122(1)(a) of the MFMA the municipality must prepare annual financial statements which fairly presents the state of affairs of the municipality, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

During the audit of VAT Receivables the difference between general ledger and VAT201 form was noted:

Month	General Ledger	VAT 201	Difference
July	-R5 403 926.50	-R10 014 448.68	R4 610 522.18

Internal control deficiency

Financial and Performance Management:
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should review the VAT 201's before it is submitted to SARS to ensure it agrees to account records.

Management response

In 2014/15 a vat review was conducted by Provincial Treasury through KPMG, the final report indicated that an amount of R4 610 522.18 was receivable from SARS for prior years. This amount is part of the VAT 201 and on the GL appears under a sundry debtor vote.

Name: Sizakele Magadaza
Position: Acting Manager: Expenditure
Date: 11 November 2016

Auditor's conclusion

Management response is acknowledged however supporting information was not adequate to support management comments.

Remuneration of councillors

20. Incorrect payment rate used for allowances

Audit Finding

In terms of S167 (1) (a) of the MFMA;" a municipality may remunerate its political office-bearers And members of its political structures, but only within the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998), setting the upper limits of the salaries, allowances and benefits for those political office-bearers and members."

In terms of S7 (1) of the Remuneration of Public Office Bearers Act 20 of 1998; "the upper limit of salaries and allowances of the different members of Municipal Councils shall from time to time be determined by the Minister, after consultation with the member of the Executive Council responsible for local government in each province, by notice in the Gazette."

In terms of the Government Gazette no. 39548 Vol. 606 published on 21 December 2015;
"(1) a councillor who has been elected or appointed to a governance structure of organised local government may be paid the following allowance in addition to the total remuneration package applicable to that councillor:
(a)an allowance not exceeding R962 per sitting of any governance structure of local government; provided that this allowance is limited to R962 per day regardless of the number of meetings that are attended by such councillor on a specific day"

During the audit, it was noted that the allowance paid to councillors per meeting attended is not consistent with the amount prescribed in the gazette.

No.	Employee code	Surname	Name	Rate used	Gazetted rate	Amount paid	Gazetted amount	Difference
1	DC062	NAIR	YAGABARAM	926	962	12038	12506	-468.00
2	DC092	MADLALA	NOKUTHULA ANNE	926	962	6482	6734	-252.00
3	DC084	GUMEDE	SYDNEY THEMBINKOSI	926	962	9260	9620	-360.00
4	DC091	NJOKO	DOCTOR HOPEWELL	926	962	8334	8658	-324.00
5	DC096	MWESHE	NOSIPHO YVONNE	926	962	10186	10582	-396.00
6	DC097	ZUNGU	MAMA PRETTY-GIRLY LAUNDRY	926	962	10186	10582	-396.00
7	DC099	MPANZA	NOMBUSO PATRICIA	926	962	6482	6734	-252.00
8	DC103	GAVU	MAVIS BUSISIWE	926	962	12964	13468	-504.00
9	DC116	MKHIZE	MF	926	962	11112	11544	-432.00
								-R3 384.00

Based on the above the individuals have been underpaid by an amount of R3 384.00 and as a result compensation to employees of the municipality has been understated.

Internal control deficiency

Financial and performance management:

The General Manager: Treasury (CFO) did not take reasonable steps to ensure compliance with the applicable laws and regulations

Recommendation

The General Manager: Treasury must revisit the amount paid by to the above individuals and ensure that it is in line with the gazette amount.

Management response

Management agrees with the finding. This was a human error due to manual capturing. Corrections will be done and councillors get back pay.

Name: Siza Magadaza
Position: Acting Manager: Expenditure
Date: 08/11/2016

Auditor's conclusion

Management response is acknowledged, however non-compliance remains as the finding on the management report and a follow up will be conducted in the next period.

Receivables

21. Consumers who are deceased receiving indigent support

Audit Finding

As per section 64 of the MFMA, "the accounting officer of a municipality is responsible for the management of the revenue of the municipality. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that;

- a) the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy"

As per paragraph 9 of the Indigent policy, Indigent support is only provided for a period of 12 months, from date of approval, where after the applicant must submit Form UIS 3, confirming that their circumstances have not changed since its initial application and that they still qualify for indigent support in terms of the latest criteria.
During the audit, it was noted that for the following indigent consumers who were deceased, the municipality was still providing indigent support.

No	Customer Account Number	Customer Name	Death Date
1	10415721	IB Mbanjwa	20110123
2	40030872	TI Smith	20110404
3	10168963	RN Msimango	20110724
4	80012824	C Popli	20120912
5	10200773	William Luthuli	20110225
6	10170555	MN Cele	20100529
7	10188233	QM Cele	20110901
8	13060516	M Govender	20140118
9	10174065	Z Cele	20130813
10	14018510	M Govender	20110530
11	10294897	B Kusi	20101104
12	10378342	R Ndovela	20130924
13	10439183	Ntombi E Gcaba	20140123
14	10190101	M Mkhungo	20130827
15	10164353	Ms Mkhize	20120128
16	10118036	M J Madlala	20140513
17	10420937	Thandi Winnie Nxumalo	20121116
18	10161446	NW Mzindle	20120609
19	10119908	LD Ndovela	20121029
20	10116367	PM Doncabe	20140909
21	10161571	NG Ndovela	20100717
22	10114455	TB Nqumako	20120329
23	10117792	VB Ngoko	20150201
24	10261164	Zandile P Mbambo	20130814
25	10500463	K Moodley	20120703
26	50030024	MG Xhantibe	20140506
27	10115254	NN Jaca	20130430
28	10189990	Winnie G Cele	20121016

No	Customer Account Number	Customer Name	Death Date
29	10460266	Hlengiwe C Mnyandu	20120418
30	50006580	NP Mbili	20110530

Internal control deficiency

Financial and performance management

Revenue Management did not implement controls over the municipal indigent support. This has resulted in the understatement of revenue as the consumers were not billed

Recommendation:

Revenue Management should review the indigent listing to confirm that the circumstances of indigent debtors has not changed since the initial application and that the indigent debtor still qualifies for indigent support in terms of the latest criteria.

Management response

- Management agrees with the finding. Current registered deceased customers will be removed from the Indigent Register.
- Note to be made on the system and then a Letter sent to inform the consumer of the change of indigent status.
- Indigent status to be verified on an annual basis via reputable Service Providers as we do not have access to such information as a municipality.
- Review the full Indigent register and ensure that all deceased account holders benefiting from the Indigent Support are removed using the information received from TransUnion.

Name Nokuthula Sihlongonyane
Position Manager Revenue
Date 08 November 2016

Auditor's conclusion

Management response noted; the matter will be followed up during the next audit. The finding is reported in the management report

22. Consumers or spouse of consumers employed by the state and receiving indigent support

Audit Finding

As per section 64 of the MFMA, "the accounting officer of a municipality is responsible for the management of the revenue of the municipality. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that;

- a) the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy"

As per paragraph 9 of indigent policy, "Indigent support is only provided for a period of 12 months, from date of approval, where after the applicant must submit Form UIS 3, confirming that its circumstances has not changed since its initial application and that it still qualifies for indigent support in terms of the latest criteria."

During the audit, it was noted that the following indigent consumers were employed by organs of the state and still being afforded indigent support:

No	Customer_Name	Meter Number	Entity
1	Mr Am Abdul Lateef Khan	160487	Kzn: Education
2	E B Dlamini	20212006	Kzn: Education
3	DN Ngidi	Vas885	Kzn: Education
4	Thulani Jwara	38171908	Kzn: Education
5	JP Chiliza	9409860	Kzn: Education
6	Maureen Sihle Hlengwa	130111486	Kzn: Education
7	EN Ngcobo	111005706	Kzn: Education
8	PZ Ngidi	31204699	Kzn: Education
9	NO Mgqadazo	119120	Kzn: Education
10	NB Shange	140008139	Kzn: Education
11	Mrs.N P Mchunu	120053967	Kzn: Education
12	WN Cele & 02/08/05 B12641	Var725	Kzn: Education
13	Thembalihle Goodness Ngcobo	34155669	Kzn: Education
14	KN Gumede	Cmnd927	Kzn: Education
15	Mduduzi Mhlongo	31102231	South African Police Service
16	BC Sithole (W)	Vae913	Kzn: Education
17	Pt Mazibuko	C-Tkl5851	Kzn: Education
18	Mrs MN Nxumalo	Vas437	Ec: Health
19	BS Mhlamvu	C-Rki8217	Kzn: Education
20	Miss.P Ngesi	140045519	Kzn: Social Development

During the audit, it was noted that the following indigent consumers were employed by organs of the state and still being afforded indigent support.

No	Customer Account Number	Customer Name	Entity
1	10187846	T.S Mkhize	Kzn: Coop Governnce&Trad Affairs
2	10431312	Nini A Biyela	Kzn: Agric,Env Affairs&Rural Dev
3	50023847	Mr.B M Ndlovu	Hibiscus Coast Local Municip
4	10418147	TM Mthembu	Ec: Health
5	10133730	J Kaula	Kzn: Coop Governnce&Trad Affairs
6	10354945	M P Shozi	Kzn: Health
7	10040746	Ms Mtshali	Kzn: Health
8	10201400	Simon Msomi	Kzn: Education
9	50019904	Mr MA Dlamini	Kzn: Health
10	50010057	Mr.AS Malunga	Kzn: Transport
11	10426279	Nomusa Nelisiwe Cele	Kzn: Health
12	10622848	Eric T Msomi	Kzn: Transport
13	50139725	MY Mkhulisi	Kzn: Transport
14	10184376	CA Chiliza	Kzn: Education
15	80085572	M Arumogam	Kzn: Education
16	50153315	Mr.P M Doncabe	Kzn: Health
17	10119588	M E Rakaki	Kzn: Education
18	10235413	W V Mbotho	Kzn: Education
19	10182197	Moinelwa P Thabethe	Kzn: Health
20	80189111	B W Barrett	Nat: Justice & Constitutionl Development
21	10169584	JE Mdunge	Kzn: Transport
22	10162002	Hleziphi G Shabane	Nat: Higher Education & Training
23	10040755	PC Mhlongo	Ethekwini Metro
24	10060473	S A Nhlumayo	Kzn: Health
25	50038574	TJ Hlophe	Kzn: Transport
26	10048599	SW Nkosi	Kzn: Health
27	50086328	Mrs.BB Cwele	Kzn: Education
28	10041779	MF Shazi	Kzn: Health
29	10043484	R Nyawose	Kzn: Health
30	10060437	D T Ngcobo	Kzn: Education
31	10624562	Zwelinye Biyela	Kzn: Health
32	80079844	E Mark	Independent Electoral Commis
33	50040747	Nombika Thulisile Sylvia	Kzn: Education
34	10287930	B E Ndovela	South African Police Service
35	10101498	ZC Saule	Kzn: Health
36	10029704	LM Xelitole	Kzn: Education
37	10333088	Sthembile G Nombika	Kzn: Education
38	50107722	Sontsele Mbulelo Wilberforce	Ec: Education
39	10006356	SZ Cele	Kzn: Health
40	10118896	SF Nhlumayo	Kzn: Education
41	10236339	AE Sihlangu	South African Police Service

No	Customer Account Number	Customer Name	Entity
42	10000308	NS Ngongoma	South African Police Service
43	10209709	Getrude Thembekile Gcaba	Kzn: Health
44	10481220	TF Luthuli	Kzn: Health
45	50077193	S Qingana	Nat: Labour

Internal control deficiency

Financial and performance management

Revenue Management did notimplement controls over review indigent support listing. As a result of the above revenue is understated as the listed consumers were not billed.

Recommendation:

Revenue Management should review the indigent listing to confirm that the circumstances of indigent debtors has not changed since the initial application and that the indigent debtor still qualifies for indigent support in terms of the latest criteria.

Management response

- Management agrees with the finding. The recommendation will be implemented.
- Current registered person to be removed from Indigent, note to be made on the system and then a Letter sent to inform the consumer of the change of status. Approval is based on information provided by the applicant.
- Indigent status to be verified on an annual basis via reputable Service Providers as we do not have access to such a system as a municipality.

Name Nokuthula Sihlongonyane
Position Manager Revenue
Date 08 November 2016

Auditor's conclusion

Management response noted; the matter will be followed up during the next audit. The finding is reported in the management report.

				Portfolio Committee on Finance	50%
Moosa Bux	E	PR	ANC	Council	75%
				Portfolio Committee on Finance	100%
Mahomed	S	PR	ANC	Council (July 2015 to Sept 2015)	0%
				Exco	0%
				Portfolio Committee on Special Programmes	0%
Sonwabo	MG	PR	ANC	Council	58.5%
				Portfolio Committee on Sound Governance and Human Resources	11%
				Portfolio Committee on Water and Sanitation	64%
Dzingwa	TN	PR	ANC	Council	92%
				Portfolio Committee on Sound Governance and Human Resources	89%
				Portfolio Committee on Special Programmes	88%
Ntanza	VL	PR	ANC	Council	100%
				Portfolio Committee on Local Economic Development	88%

				Portfolio Committee on Special Programmes	88%
Manyoni	MA	PR	ANC	Council	75%
				Exco	100%
				Portfolio Committee on Special Programmes	80%
Shusha	NF	PR	ANC	Council	25%
				Exco	25%
				Portfolio Committee on Finance	38%
Snashall	D	PR	DA	Council	83%
				Portfolio Committee on Sound Governance and Human Resources	78%
				Portfolio Committee on Special Programmes	88%
Nyawuza	SG	PR	IFP	Council	100%
				Exco	94%
				Portfolio Committee on Water and Sanitation	91%
				Portfolio Committee on Finance	75%
Mbuthuma	JS	PR	NFP	Council	83%

				Exco	63%
				Portfolio Committee on Sound Governance and Human Resources	67%
Duma	YL	PR	NFP	Council	67%
				Portfolio Committee on Water and Sanitation	91%
Zuma	SM	PR	NFP	Council	92%
				Portfolio Committee on Finance	88%
Mthuli	TD	PR	ANC	Council (from January 2016)	100%
				Portfolio on Local Economic Development (from February 2016)	100%
Van Vuuren	J	MR	ANC	Council	100%
				Portfolio Committee on Finance	100%
Njoko	DH	MR	ANC	Council	92%
				Portfolio Committee on Local Economic Development	63%
Nair	Y	MR	ANC	Council	92%
Madlala	NA	MR	ANC	Council	50%
				Portfolio Committee on Special Programmes	88%
Henderson	GD	MR	DA	Council	92%

				Portfolio Committee on Local Economic Development	63%
Mhlongo	ZA	MR	NFP	Council	92%
Machi	BE	MR	IFP	Council	83%
				Portfolio Committee on Local Economic Development	63%
Gumede	ST	MR	ANC	Council	75%
				Portfolio Committee on Finance	50%
Mweshe	NY	MR	ANC	Council	83%
				Portfolio Committee on Special Programmes	88%
Zungu	MPL	MR	ANC	Council	75%
Mkhize	MJ	MR	ANC	Council	100%
Mpanza	NP	MR	ANC	Council	58%
				Portfolio Committee on Local Economic Development	63%
Shezi	FB	MR	NFP	Council	83%
				Portfolio Committee on Local Economic Development	50%
Cele	TM	MR	ANC	Council	67%

Khawula	SA	MR	ANC	Council	67%
				Portfolio Committee on Finance	88%
Mtheshane	MP	MR	IFP	Council	50%
				Portfolio Committee on Sound Governance and Human Resources	67%
Gavu	MB	MR	ANC	Council	83%
				Portfolio Committee on Sound Governance and Human Resources	67%
Myende	LN	MR	ANC	Council	67%
				Portfolio Committee on Water and Sanitation	82%
Ndlela	JM	MR	IFP	Council	83%
				Portfolio Committee on Special Programmes	75%

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

COMMITTEE	PURPOSE
Council	Council is responsible for all the decisions of the Municipality but it delegates specific functions to Committees as provided for in Part 5: Section 79 of the Municipal Structures Act, 1998. The objective of the Council Committee is to perform the following functions: • Formulating and developing legislation and policies pertaining to the functions of the administration; • Provision of oversight in the implementation and monitoring of the approved legislations, by-laws, policies, municipal budget as well as the council strategic plans; • Consider any report on legislation, policies (budget and integrated development planning included), and by- laws regarding the administration; • Ensure that the inputs from the communities and sector forums are given due consideration and are taken into account where applicable; and • Obtain expert advice where deemed necessary.
Executive Committee	Council is responsible for all the decisions of a Municipality but it may delegate specific functions to Committees as provided for in Part 5: Section 79 of the Municipal Structures Act, 1998. The Executive Committee exercises oversight responsibilities in respect of the day to day activities of Council. **The Statutory Functions of EXCO, in respect of the municipal functions, are:** • The reviews of performance of the municipality in order to monitor and improve performance; • Ensures economy, efficiency and effectiveness of the municipality; • To ensure the efficiency of credit control and revenue and debt collection services; • The implementation of municipality by-laws; • The Management of the municipality's administration in accordance with the policy directions of the municipal council (output monitoring); • The provision of services to communities in the municipality in a sustainable manner; • The involvement of communities and community organizations in the affairs of the municipality; • The alignment of the IDP and the budget received from the relevant Councillors; and • To effect consultation on the decisions of the Council; • To makes recommendations to the Council regarding: - The adoptions of the estimates of revenue and expenditure, as well as capital budgets and the imposition of rates and other taxes, levies and duties; - The passing of by-laws; - The raising of loans;

- Approval or amendment of the IDP;
- Appointment and approval the conditions of service of a MM and heads of departments/GMs;

- Dealing with any other matters referred to it by the council
-
- Attending to and deals with all matters delegated to it by council in terms of the Systems Act and delegations framework;
- Monitoring progress against the key performance indicators;
- Receiving and considers reports from committees in accordance with the directives as stipulated by the EXCO;
- Varying or revoking any decisions taken by the Section 80 committees, subject to vested rights;
- Developing strategies, programmes and services to address priority needs of the municipality through the IDP and estimates of revenue and expenditure, taking into account any applicable national and provincial plans and submits a report to Council;
- Subject to applicable legislations and delegated authority, recommends or determines the best methods, including partnerships and other approaches to deliver services, programmes and projects to the maximum benefit of the community;
- Identifying and developing criteria in terms of which progress in the implementation of services, programmes and objectives to address the priority needs of the municipality can be evaluated, which includes KPI's which are specific to the municipality and common to local government in general;
- Managing the development of the performance management system by assigning responsibilities in this regard to the MM and submits the proposed performance management system to council for consideration;
- Monitoring progress against the said key performance indicators;
- Receives and considering reports from committees in accordance with the directives as stipulated by the EXCO;
- Electing a chairperson to preside at meetings if both the mayor and deputy mayor are absent from a meeting in the event of there being a quorum present at such a meeting, if the Mayor failed to designate a member of EXCO in writing to act as Mayor;
- Considering appeals from a person whose rights are affected by a decision of the MM in terms of delegated powers, provided that the decision reached by this committee may not retract any rights that may have accrued as a result of the original decision.
- Reporting, in writing, to the municipal council on all decisions taken by EXCO at the ordinary council meeting;

The General Functions of the Executive Committee are as follows:

- Recommends to Council after consultation with the relevant Portfolio Committee, policies where council had reserved the power to make policies itself;
- Makes recommendations to council in respect of Ceouncil's legislative powers;
- Determines strategic approaches, guidelines and growth parameters for the draft budget including tariff structures;

Portfolio Committee **on** **Water and Sanitation**	The Portfolio Committees are appointed to assist the Executive Committee, as provided for in Sections 79 and 80 of the Municipal Structures Act. The Committees reports to the Executive Committee and Council. The Portfolio Committee on Water And Sanitation wais established with the primary objective of ensuring the provision of water and sanitation services to the community of the District Municipality in a sustainable manner, and is :- responsible for the following functions, and making recommendations to the Executive Committee thereon: 1. Advise the Executive Committee on all legislation or prospective legislation relating to: - • Water and sanitation reticulation; • Water and sanitation treatment works; • Water and Sanitation Capital projects; • Water and sanitation operations; • Water and sanitation operational projects; • Non-revenue water; • Water restrictions; • Water Services planning; • Emergency water and drought relief; • Ground water; • Industrial effluent and recycling of waste water; 2. Oversee the following municipal services: • Water and Sanitation reticulation; • Water and sanitation purification; • Water and Sanitation designs; • Water and sanitation operations; • Water and sanitation capital projects; 3. Oversee municipal infrastructure development and services to meet the needs of the municipality in the discharge of its responsibilities. 4. Oversee the commissioning of the best methods to deliver the aforementioned municipal services and facilities to the maximum benefit of the community of the municipality. 5. Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.
Portfolio Committee	-

on Finance	The Portfolio Committee on Finance is established with the primary objective of exercising oversight over the financial management of the municipality and is responsible for the following functions, and making recommendations to the Executive Committee thereon:- 1. Familiarise, interrogate and recommend to the Committee of the budget and reports on economic issues, statistical information, agreements, financial reports, and reports on economic and policy statements. 2. Sharpen public awareness of the budget and Government financial and economic policies, and encourage informed debate on the budget. 3. Advise the Executive Committee on the District Municipality's domestic borrowing policies. 4. Study Government's policies as regards budgets and advise accordingly. 5. Seek advice from all three spheres of Government, on financial and other budget related matters. 6. Drive the entire budget process as alluded to by legislation, thus ensuring that budgets are based on priorities and realistic income and expenditure. 7. Advise on processes that need to be put in place for formulating and monitoring the budget, throughout its cycle, that will enhance the District Municipality's role in appropriating and overseeing the budget, and make the budget process more responsive to stakeholders. 8. Advise on budget programmes that need to be given special treatment during budget implementation. 9. Ensure that the budget of the District Municipality is used as a primary tool for implementing National and Provincial Policies. 10. Review the relevant legislation and future legislation (bills) with financial and budget implications and advise the Executive Committee accordingly. 11. Deal with any other budget related matter referred to the Committee by the Executive Committee. 12. Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.
Portfolio Committee on Sound Governance and	The Portfolio Committee on Sound Governance and Human Resources is responsible for the following functions and making recommendations to the Executive Committee thereon: 1. Formulating and developing legislation and policies pertaining to the functions of the applicable portfolio; 2. Provision of oversight in the implementation and monitoring of the approved legislations, by-laws, policies, departmental budges as well as the council strategic plans; 3. Report on any deviations or difficulties being experienced by the portfolio committee in implementing

Human Resources	the above to the Executive Committee; 4. Introduce departmental reports on the functions of such municipal departments to the Executive Committee. 5. Consider any report on legislation, policies (budget and integrated development planning included), and by laws regarding the functions of the portfolio for recommendation to the Executive Committee; 6. Ensure that the inputs from the communities and sector forums are given due consideration and are taken into account where applicable; and 7. Obtain expert advice where deemed necessary. The general responsibilities of the Portfolio Committee, in respect of the functional area Corporate Services, are: 1. ___To develop and recommend the policies and bylaws; 2. To consider and make recommendations in respect of the draft budget and IDP, Corporate Services and Office of the Municipal Manager 3. To ensure public participation in the development of policy, legislation, IDP and budget 4. 5. To monitor the implementation of Council policies in respect of the Human Resources & Sound Governance portfolio; • **Functional Role of the Human Resources & Sound Governance Portfolio Committee** The objective of the Human Resources & Sound Governance Portfolio Committee is to assist the Executive Committee on the functions listed below: **1. Administration and Operational Support** ▪ Corporate strategies, systems and services ▪ Records Management and Registry Services ▪ Secretariat Support and Printing Services ▪ Occupational Health and Safety ▪ Employment Equity Planning ▪ Customer Relations ▪ Performance management: Individual (and OPMS) ▪ Information Communications Technology ▪ Facilities Management ▪ Enterprise Security **2. Legal Services** ▪ Statutory Compliance Legislation, and ▪ Legal Research **3. Strategic Human Resources and Personnel Services**

	▪ Individual Performance Management ▪ Training and Development ▪ Labour Relations ▪ Personnel Management 4. To ensure the provision of efficient, economical and effective administration of the municipality, to co-ordinate secretarial services, to oversee the delivery of the human resource services, and to render management and transformation services; 5. To oversee the delivery of support services to the council and community; 6. Exercise delegated authority after considering a report from the designated officials for the Human Resources & Sound Governance Portfolio; 7. Introduce to Exco the recommendations from the Human Resources & Sound Governance Portfolio Committee; 8. Introduce departmental reports on the functions of the relevant sections to Exco; 9. General administration inclusive council & committee secretariat, legal, council support, policies & procedures, facilities management, capacity building & training, human resources, including, Governance, democracy and Skills development.
Portfolio Committee on Special Programmes	The Portfolio Committee on Special Programmes is appointed to assist the Executive Committee, as provided for in Sections 79 and 80 of the Municipal Structures Act. The Committee reports to the Executive Committee and therefore this is a Section 80 Committee established in terms of Section 79. The Committee is established with the primary objective of exercising oversight over the issues related to youth, senior citizens, special programmes related to, amongst other things, disability, gender, moral regeneration, rights of the child, farm worker and other related projects. The Committee is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon: OVERSIGHT OVER THE FOLLOWING FUNCTIONAL AREAS: - (i) Undertake the following special programmes in respect of Policy, Strategy and Programmes. • Youth • Senior Citizens • People with Disability • Gender • Moral regeneration • Rights of the Child • Farm workers (ii) Lobby and advocacy for special programmes interests by other Portfolio Committees within Council. (iii) Coordinate response for vulnerable groups. (iv) Facilitate and monitor an evaluation framework for all the functional areas.

Portfolio Committee on Local Economic Development	The Portfolio Committee on Economic Development is appointed to assist the Executive Committee, as provided for in Sections 79 and 80 of the Municipal Structures Act. The committee reports to the Executive Committee and therefore this is a Section 80 Committee established in terms of Section 79. The Committee is established with the primary objective of exercising oversight over the economic, infrastructural and social development of the municipality, ensuring that it is integrated, sustainable and equitable. The Committee is a Section 80 Committee, responsible for the following functions, and making recommendations to the Executive Committee thereon: Oversee the implementation of all applicable legislation relating to social and economic development, national development programmes, provincial development programmes, trading regulations, investment opportunities, transport, land affairs, electrification, housing and public works. 2. Oversee all aspects, programmes and activities of local economic development. 3. Oversee all fiscal and other incentives designed to promote social and economic development. 4. Oversee environmental management and ensuring environmental planning, education, sustainable development management. 5. Oversee the provision of efficient environmental health services through continuous monitoring and enforcement. 6. Develop policy proposals on all the areas of responsibility with the intention of achieving municipal and/or general government objectives.
Audit Committee	Oversight (Section 166)
MPAC	The Committee examines any reports, financial statements referred by the Council and the audited reports by the Auditor-General, and report back to the Council with recommendations.

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	**Function Applicable to Municipality (Yes / No) ***	**Function Applicable to Entity (Yes / No)**
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	No
Building regulations	No	
Child care facilities	No	
Electricity and gas reticulation	No	
Firefighting services	Yes	
Local tourism		Yes
Municipal airports	No	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	No	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	
Storm water management systems in built-up areas	No	
Trading regulations	No	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	
Beaches and amusement facilities	No	Yes
Billboards and the display of advertisements in public places	No	Yes
Cemeteries, funeral parlours and crematoria	No	No
Cleansing	No	No
Control of public nuisances	No	No
Control of undertakings that sell liquor to the public	No	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	No	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	No	No
Local sport facilities	No	No
Markets	No	No
Municipal abattoirs	No	No
Municipal parks and recreation	No	No
Municipal roads	No	No
Noise pollution	No	No
Pounds	No	No
Public places	No	No
Refuse removal, refuse dumps and solid waste disposal	No	No
Street trading	No	No
Street lighting	No	No
Traffic and parking	No	No

T able D

Ugu District Municipality
UGU SHARED SERVICES EXTERNAL AUDIT COMMITTEE
(Established in terms of Section 166 of the Municipal Finance Management Act)
C/O SUITE NO. 5, UVONGO SQUARE, FOSTER STREET, UVONGO
E-MAIL: chantele@chantelelliott.co.za; paul@prestonlaw.co.za; bhekiidladla@gmail.com, bongeka@exclusivemail.co.za

UGU SHARED AUDIT SERVICES COMMITTEE
28 CONNOR STREET,
POBOX33, PORTSHEPSTONE
0396885700

UGU DISTRICT MUNICIPALITY

REPORT OF THE CHAIRPERSON: FINANCIAL YEAR 2015/2016
AUDIT & PERFORMANCE AUDIT COMMITTEE
EXTERNAL AUDIT SHARED SERVICES

Mr. Paul Preston–Chairperson
[redacted]
Mrs. Bongeka Jojo–Member

Audit Committee meetings took place on the following dates:

1.	17 August 2015	Audit committee meeting
2.	28 August 2015	Draft Annual Financial Statement (AFS)
3.	25 September 2015	Audit Committee meeting and consolidated AFS
4.	11 December 2015	Audit committee meeting
5.	22 January 2016	Draft AG management Corrective action plans
6.	23 March 2016	Audit Committee/ AG Dashboard presentation
7.	17 June 2016	Audit committee meeting.

Performance Audit Committee meetings took place on the following dates

1.08 July 2015 Performance Audit Committee

1.INTRODUCTION

In terms of section 62(1)(c) of the Municipal Finance Management Act (MFMA), No.56 of 2003, the Municipal Manager is the Accounting Officer and is responsible from managing the financial administration of the Municipality. The Audit Committee is appointed in terms of Section 166 of the MFMA, to assist and to advise the Mayor, the Speaker and the Municipal Manager of the Municipality. It is a shared service Audit Committee appointed by the Ugu District. It is afforded wide powers and obligations.

Meetings with the Political Leadership and with the Audit Committee took place from time to time in the Honourable Mayor's offices and the Municipal Manager met with the Audit Committee in the office of the Municipal Manager from time to time.

2. MEMBERS AND MEETINGS OF THE AUDIT COMMITTEE

2.1 In terms of the Ugu District Municipality's Audit Committee Charter, the Audit Committee as at the 30 June 2016, included four external independent members. One is a Performance Management Specialist. None of the members were Councillors or the Municipal Manager. The Audit

1 **MEMBERS:**
BHEKI INNOCENT DLADLA – B Admin (Hons), MBA (UKZN), Dip Min Eng (WITS)
BONGEKA JOJO CA (SA)
CHANTEL VIOLETTA ELLIOTT - B Acc, B Com (Hons), CA (SA), RA , HDIP Vat
PAUL PRESTON – BA L.L.B, Cert. Road Transportation (Chairman)

Committee meets at least four (4) times per annum as per its approved Charter and as a Performance Audit Committee during the year.

It met with the Political Leadership, and specific members of the Political Leadership were invited to and attended Audit Committee meetings from time to time.

Meetings of a more informal nature with the Honourable Mayor, Speaker and Deputy Mayor took place. The Honourable Mayor has engaged frequently and has met with the Chair of the Audit Committee whenever requested to do so. These meetings included ongoing assessment of Statutory compliance, concerns with regard to the monthly financial reports, the Auditor General's interim Dashboard Reports and considered the Municipality's financial position, risk and compliance with its I.D.P. and pre-determined objectives as well as Statutory Compliances.

The Audit Committee also sits as a Performance Audit Committee in respect of Section 40, 41, 43 and 46 of the Municipal Systems Act (MSA).

The Auditor General has visited the Municipality regularly and interacted purposefully with it and then determined a Quarterly Dashboard Report, which has become a most useful and reliable tool in evaluating the performance of the Ugu District Municipality. An Audit Committee member is in attendance at the Auditor General's report back meetings to Councillors and Management with the Auditor General. This function is shared amongst the members of the Audit Committee.

Audit Committee members carefully reviewed and approved draft minutes of its own meetings. They met with one another and exchanged e-mails with the Manager: Internal Audit, between meetings as issues or concerns arose. An atmosphere of mutual trust and respect exists between the Audit Committee, Internal Audit and the Municipal Manager and he has called for a number of confidential meetings with the Audit Committee members; while all parties maintain independence.

2.2 The Auditor General tests the following in its Audit finding and the level of the Audit finding concerning a District Municipality:-

2.2.1 Compliance with Legislation concerning the Municipality.

2.2.2 Possible material misstatements in the Draft Annual Financial Statements or in the consolidated Draft Annual Financial Statements.

2.2.3 Compliance with Performance Indicators and the alignment of the I.D.P. with the SDBIP, with the Performance targets set by the Municipality.

2.2.4 Performance in areas governed by Performance Regulations of 2001 and the Key Performance Indicators, by accessing portfolios of evidence (POE's).

2.2.5 Considers Fraud and Risk.

2.2.6 The financial viability of the Municipality as a going concern.

3. AUDIT COMMITTEE'S RESPONSIBILITIES AND FINDINGS

In discharging its responsibilities for the year ended 30 June 2016 the Audit Committee did the following:-

3.1 Audit Committee Meetings and Functions

The Audit Committee:-

- Reviewed the quality of the financial information provided, financial reports and consolidated annual financial reports and other reporting which was tabled regularly before the Audit Committee, and reviewed the monthly financial information sent to Treasury;
- Reviewed the draft annual financial statements and draft consolidated annual statements and the draft Performance Audit and consolidated Performance Audit information prior to submission to Council and to the Auditor-General and made prior suggestions and recommendations on enhancing the quality of compliance and disclosure;
- Reviewed financial reports from time to time, and reviewed performance information to ensure they present a balanced credible and understandable assessment of the performance and going concern viability of the Municipality;
- Reviewed the Auditor General's draft management letter and final report in relation to the year ended June 2016;
- Discussed issues, materiality of the findings and queries arising from the Auditor General's Audit of the Municipality;
- Reviewed the management response with regard to the corrective action to be undertaken in response to any significant internal audit findings;
- Always dealt with matters arising from previous minutes;
- Reviewed the Performance Information Reports and has established that credible portfolios of evidence exist.
- Reviewed and recommended the Internal Audit Plan and Audit Committee Charters.
- Dealt with Risk and considered the Risk and Fraud Risk Register;
- Dealt with the Asset Register and Property Plant and Equipment generally;
- Dealt with Revenue Management and water billing at every meeting;
- Dealt at every meeting with Legislative and Statutory compliances in the various Laws governing the Municipality;
- Considered possible misstatements in Annual Financial Statements;
- Participated in Performance Assessments for Senior Managers;
- Raised queries related to VAT and SARS VAT directives.

3.2 Performance Management

The Audit Committee, sitting as a Performance Audit Committee, considered matters relating to performance management as prescribed in terms of Regulation 14(4) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

These responsibilities included:

- A review of the quarterly reports required to be submitted by internal audit and the mid-year Performance Review.
- Reviewed the Performance Management System and the pre-determined objectives and tested the functionality and corresponding compliance with the Municipal Systems Act and the MFMA.
- Focussed on the economy, effectiveness, efficiency, reliability and impact applicable to the Municipality's own key performance indicators and key performance areas and their alignment with the SDBIP and the relevant P.O.E.'s, and with Statutory Regulations.
- Considered the application of Sections 40, 41, 43 and 46 of the MSA, with reference to the Municipalities' I.D.P. and reviewed these, prior to submission to the Council and the Auditor General and the levels of compliance.

The I.D.P. and the SDBIP and the pre-determined objectives must be aligned to create service delivery. Senior managers receive facts and information which they evaluate and report, based on such information and this must align with the Integrated Development Plan (I.D.P.), and the Key Performance areas and pre-determined objectives. If done properly, it is a very good system.

This is the essence of good governance and represents proper compliance with Section 52 and Section 195 of the Constitution of South Africa. The Municipality has improved its Compliance obligations in the last year and unsurprisingly a credible level of service delivery has resulted.

3.3 Revenue

3.3.1 Water Billing and Consumer Debt have received better administrative attention. A minimum monthly remittance by water users is required to sustain water revenue income. A revenue shortfall impacts on Ugu's viability as a going concern, and poses a pervasive risk.

3.3.2 Cash flow continues to be of material concern. The under-recovery in respect of water revenue and the anomalies in the billing system underpin this difficulty which therefore poses significant risk.

3.3.2.1 Leave, as a previous finding has been resolved.

3.3.2.2 Water breaks and call outs and the urgency and overtime have been considered frequently and this is an area of material improvement.

3.3.2.3 The Audit Committee dealt extensively with the asset valuation of both immovable and movable assets as well as servitudes.

3.4Internal Control and Internal Audit

The External Audit Committee is responsible for the effective functioning of the Internal Audit activity, as provided for in Section 165 of the MFMA. Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer. The Audit Committee:-

- has direct access to Internal Audit through a reporting relationship with Internal Audit. This underpins its independence from management;
- The Chairperson has conducted regular private telephone calls and exchanged e-mails, and had meetings with the Manager of Internal audit to allow for frank discussion of issues and concerns;
- evaluated the performance of internal audit by consideration of the relevant Internal Audit Plan and did so with reference to the Auditor General's Dashboard Reports, which reviewed internal audits' integrity;
- considered the scope of the internal auditor's review of internal control over financial reporting, and obtained reports on significant findings and recommendations, together with management's responses;
- evaluated controls over the overall operational and financial reporting environment and reviewed the effectiveness of the internal controls in conjunction with the Auditor General's Dashboard Findings;
- assessed the adequacy of performance of the internal audit function, and available internal audit resources;
- reviewed the frequency of dealing with corrective action taken in response to significant Auditor General's findings raised in the prior year;
- reviewed and approved the Internal Audit Charter, Internal Audit Plans and Internal Audit's findings with regard to internal control;
- at all Audit meetings discussed matters with respect to risk assessment, revenue impairment and asset management;
- discussed at length the challenges in water-billing and revenue management;
- discussed Property Plant and Equipment;
- discussed compliance with VAT and SARS directives;
- discussed GRAP;
- considered the valuation of, or of misstatements of the Municipality's Assets;
- considered internal audit reports at every Audit meeting;

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- specific members attended meetings concerning Performance Evaluation of Senior Managers;
- Considered the Risk and Fraud Risk register.

The Audit Committee received highly satisfactory levels of support from the Internal Audit Unit and the Internal Audit Plan was maintained very well.

3.5Compliance and Ethics
From a review of various reports and discussions held at Audit Committee meetings the Audit Committee noted that a Fraud Prevention Strategy is in place. The Statutory Code of Conduct for municipal staff and Councillors in terms of the Municipal Systems Act is applied by the municipality. Declarations of interest in respect of risk posed by attempts to by-pass the Supply Chain Management process have been obtained from all persons contracting with the Municipality stating on oath that they are not in the employ of the State. Employees are subject to the same scrutiny.

The Audit Committee has reviewed the effectiveness of mechanisms for the identification and reporting of compliance with Statutory laws as set out in the Internal Audit Plan and relevant Regulations; and the findings of regulatory bodies or audit observations. It has tried to eliminate material misstatements from Draft Annual Financial and Consolidated Financial Reports forwarded to the Auditor General. Fraud is very difficult to detect at every level.

3.6Section 71 (of the MFMA) Management Report
This is requested at each Audit Committee meeting. It is a report in a prescribed format due to be submitted to Treasury. It is most helpful in providing a contemporaneous indication of the financial health and economic state of the Municipality at any given time. Monthly Section 71 Management reports should be considered by the Counsel during the year.

3.7The Consideration of the Auditor General's Report
The Auditor General has tabled its Final Management Report and Audit Finding in respect of the year under review. The Auditor General expressed an **unqualified opinion with other matters.** It is significant that the AG agreed that the performance of the Municipality is significantly improved from the previous financial year.

The holistic approach by the Political leadership and management to the operational obligations and the purposeful corrective action in respect of the challenges at Ugu has rendered favourable outcomes. The information provided by the Municipality in respect of Revenue, Water Billing, Assets, its value of its assets, and with regard to Performance is regarded by the Auditor General, as credible and compliant in which formed the basis of its Audit Report.

3.8In-year reports submitted in terms of the MFMA
The quarterly performance management reports, the Council's approved budget, and the SDBIP, Internal Audit reports and the Annual Performance Reports have been called for by the Audit Committee. The Audit Committee reviewed these reports and was satisfied. The quarterly management reports and the minutes of the External Audit Committee reflects this. Performance Evaluation has improved significantly.

3.9Internal and External Audit Function
During the year under review, an audit plan was prepared based on the Internal Audit Plan, and on Annual Risk Assessment. The following is a list of received Internal Audit and Management's high levels of attention:

- Ethics
- Asset Management Review and Restatement of Asset Values
- Bi-annual reviews of Performance Management
- Cash Flow oversight and going concern issues

- Financial Discipline Review
- Overtime
- Water Revenue
- Fleet Management
- Audit Committee Review
- Follow Up Review: Revenue Management
- Information Technology
- Supply Chain Management discipline review
- Corrective Action Plans: A-G Management Report & Audit Reports
- Section 36, Section 12 and 17(1)(c) of Supply Chain Management Regulations
- Annual Financial Statements
- Fraud Prevention
- Statutory Compliance
- Risk/Risk Register
- Performance Management and the SDBIP and Performance Regulations
- The Internal Audit Plan
- VAT
- Property, Plant and Equipment
- Valuation of Fixed and Movable Assets and Servitudes
- GRAP
- Compliance with Legislation and relevant Statutory Regulations and By-Laws

An annual assessment of the Internal Audit Function had been completed the Audit Committee. The External Audit Committee is satisfied with the performance of the Internal Audit function and reports that all projects in terms of the approved risk based annual audit plan had been adequately provided to the Audit Committee as required by Law.

The Auditor General has stated in its Management letter and Dashboard Reports, that internal and external audit functions at the Municipality are conducted in a satisfactory manner.

4. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee reviewed on more than one occasion, the credibility of the draft annual financial statements and consolidated Annual Financial Statements and the Municipalities Performance Management for the year ended 30 June 2016 prior to submission to the Auditor General on the 31 August 2016. The Committee reviewed the accounting policies and practices and evaluated the draft annual financial statements and the draft consolidated Annual Financial Statements based on the information provided to the Committee and considered the integrity of the said statements complying in all material respects with the requirements of the MFMA and Treasury Regulations as well as the requirements of Generally Recognised Accounting Practice (GRAP) and SARS VAT directives. The quality of the draft statements prior to submission to the Auditor General was improved.

5. RESOLUTIONS

With reference to Treasury Circulars, the Audit Committee Resolved as follows, at its Audit Committee meetings for the year in question:-

1. To deal with necessary Corrective Action in terms of Section 131 of the MFMA at every meeting.
2. To deal with water billing and water revenue accounts at every meeting.
3. To monitor Performance Management at every meeting.
4. To follow up with regard to the updating of an asset register, valuation of assets and Property Plant and Equipment generally.
5. To consider Ugu's viability as a going concern at each meeting.
6. To consideration of Section 71 Management Reports.

7. To consider VAT.
8. To interrogate supply chain management.
9. To comply with relevant Treasury Circulars.

6. AUDIT OUTCOME

The Auditor General awarded the District Municipality an **Unqualified Audit with certain additional matters** as the finding; which further progress for the District. It received its best Audit Finding ever.

7. THE POLITICAL LEADERSHIP

The Political Leadership has continued to interact purposefully with the Audit Committee. The Audit Committee believes that a sound relationship of trust has evolved. Since the previous Audit Report the Honourable Mayor, the Honourable Deputy Mayor, the Honourable Speaker and Counsellors have again interacted at meetings of the Audit Committee in a concerned and informed manner. This involvement has been helpful in fulfilling the functions of the Audit Committee in terms of Section 166 of the MFMA, and has also given effect to Section 195 of the Constitution of South Africa.

8. CONCLUSION

I would like to thank Mr. Dladla, Mrs. Jojo and Mrs. Elliott for making themselves available to serve on this Committee and the significant contribution in their interrogation and consideration of draft financial statements and the draft Performance Reports, is helpful to all concerned. This has been noted by the Auditor General. As an Audit Committee, we rely to a great extent on Ms. Zevile Dlamini; Manager: Internal Audit and her staff in the Internal Audit Department for their support and assistance and, in particular, for the role they continue to play in improving the accounting and internal auditing systems and controls at Ugu District Municipality. We are indebted to them and the fine quality of the Board Packs.

There has been robust discussion with the Council, specifically the Honourable Speaker, Madam Mayor and The Honourable Deputy Mayor. Councillor Mavundla remains most helpful. We are also grateful to the helpful and very honest input of the Municipal Manager and his integrity in all matters. The Chief Financial Officer and the Auditor General have given ongoing guidance, CoGTA, Treasury, Private Auditors and all other invitees to our meetings, including the external service providers, provide invaluable information to the Committee.

This Municipality has improved significantly in the financial year concerned.

Mr Paul Preston
Chairperson: Ugu District Municipality
Shared Services Audit Committee
Date: December 2016

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Independent Auditor's Report

The independent auditor submits his report for the year ended 30 June 2016.

Statement of Financial Position as at 30 June 2016

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2016	2015 Restated*	2016	2015 Restated*
Assets					
Current Assets					
Inventories	3	11 524 055	14 426 468	11 524 055	14 426 468
Current portion of long-term receivables	4	11 594	51 855	11 594	51 855
Operating lease asset	5	46 289	28 410	46 289	28 410
Receivables from non-exchange transactions	6	27 131 383	50 960 422	27 115 383	50 504 488
VAT receivable	7	36 117 732	-	36 461 097	-
Receivables from exchange transactions	8	59 351 120	96 261 787	58 696 872	95 058 018
Cash and cash equivalents	9	278 567 023	272 701 623	258 763 006	259 074 427
		412 749 196	**434 430 565**	**392 618 296**	**419 143 666**
Non-Current Assets					
Investment property	10	29 500 000	29 403 251	29 500 000	29 403 251
Property, plant and equipment	11	3 996 395 865	3 829 297 584	3 994 952 987	3 828 589 300
Intangible assets	12	11 504 131	8 980 880	11 460 699	8 933 645
Investments	13	-	-	200	200
Long-term receivables	4	101 365	270 644	101 365	270 644
		4 037 501 361	**3 867 952 359**	**4 036 015 251**	**3 867 197 040**
Total Assets		**4 450 250 557**	**4 302 382 924**	**4 428 633 547**	**4 286 340 706**
Liabilities					
Current Liabilities					
Current portion of long-term liabilities	14	19 727 697	18 915 505	19 727 697	18 915 505
Finance lease obligation	15	-	3 063 785	-	3 063 785
Operating lease liability	5	108 315	74 616	55 585	50 643
Payables from exchange transactions	16	177 147 533	153 154 831	176 397 203	153 464 565
VAT payable	17	-	498 300	-	855 061
Consumer deposits	18	20 606 607	20 034 005	20 606 607	20 034 005
Unspent conditional grants and receipts	19	8 729 920	21 365 817	8 729 920	21 365 817
Provisions	20	25 715 613	20 268 774	25 157 337	19 761 585
Bank overdraft	9	2 306 145	26 152 189	2 306 145	26 152 189
		254 341 830	**263 527 822**	**252 980 494**	**263 663 155**
Non-Current Liabilities					
Long-term liabilities	14	125 825 541	144 531 365	125 825 541	144 531 365
Retirement benefit liabilities	21	15 571 785	15 250 105	15 571 785	15 250 105
Other long-term employee benefits	22	14 010 102	13 234 057	14 010 102	13 234 057
		155 407 428	**173 015 527**	**155 407 428**	**173 015 527**
Total Liabilities		**409 749 258**	**436 543 349**	**408 387 922**	**436 678 682**
Net Assets		**4 040 501 299**	**3 865 839 575**	**4 020 245 625**	**3 849 662 024**
Accumulated surplus		4 040 501 299	3 865 839 575	4 020 245 625	3 849 662 024

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity 2016	Economic entity 2015 Restated*	Controlling entity 2016	Controlling entity 2015 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	23	316 107 885	295 020 086	316 107 885	295 020 086
Rental of facilities and equipment	24	1 089 006	2 430 265	1 089 006	2 430 265
Other revenue	25	16 629 673	16 964 100	16 097 754	14 980 970
Interest received - investment	26	30 628 193	19 514 892	29 874 150	18 995 968
Total revenue from exchange transactions		**364 454 757**	**333 929 343**	**363 168 795**	**331 427 289**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	27	733 381 765	722 408 093	733 381 765	722 408 093
Public contributions and donations	28	4 961 650	4 595 000	-	-
Total revenue from non-exchange transactions		**738 343 415**	**727 003 093**	**733 381 765**	**722 408 093**
Total revenue		**1 102 798 172**	**1 060 932 436**	**1 096 550 560**	**1 053 835 382**
Expenditure					
Employee related costs	29	(302 629 306)	(274 944 244)	(294 667 945)	(267 421 308)
Remuneration of councillors	30	(9 543 737)	(9 145 959)	(8 957 246)	(8 689 921)
Depreciation and amortisation	31	(195 107 992)	(195 922 486)	(194 949 604)	(195 765 311)
Impairment loss/ Reversal of impairments	32	(97 093 187)	(161 924 814)	(97 093 187)	(161 924 814)
Finance costs	33	(13 556 116)	(12 812 729)	(13 556 084)	(12 812 707)
Lease rentals on operating lease		(2 799 296)	(2 599 556)	(2 050 086)	(1 877 034)
Debt Impairment	34	(196 710)	(17 799)	(172 017)	-
Repairs and maintenance		(63 151 041)	(52 627 708)	(63 008 980)	(52 560 496)
Bulk purchases	35	(66 091 136)	(52 626 127)	(66 091 136)	(52 626 127)
Contracted services	36	(22 808 384)	(19 968 006)	(22 704 656)	(19 827 306)
Transfers and Subsidies	37	(20 327 058)	(29 478 240)	(37 172 994)	(45 521 982)
General Expenses	38	(135 645 427)	(119 579 586)	(126 286 765)	(110 024 596)
Total expenditure		**(928 949 390)**	**(931 647 254)**	**(926 710 700)**	**(929 051 602)**
Operating surplus		**173 848 782**	**129 285 182**	**169 839 860**	**124 783 780**
Gain on disposal of assets and liabilities		716 192	862 083	646 992	883 418
Fair value adjustments	39	96 749	(4 200 000)	96 749	(4 200 000)
		812 941	**(3 337 917)**	**743 741**	**(3 316 582)**
Surplus for the year		**174 661 723**	**125 947 265**	**170 583 601**	**121 467 198**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2014	**3 739 892 309**	**3 739 892 309**
Changes in net assets		
Surplus for the year	125 947 266	125 947 266
Total changes	125 947 266	125 947 266
Opening balance as previously reported	3 605 441 218	3 605 441 218
Adjustments		
Correction of errors (Note 46)	260 398 357	260 398 357
Restated* Balance at 01 July 2015 as restated*	**3 865 839 575**	**3 865 839 575**
Changes in net assets		
Surplus for the year	174 661 724	174 661 724
Total changes	174 661 724	174 661 724
Balance at 30 June 2016	**4 040 501 299**	**4 040 501 299**

Note(s)

Controlling entity		
Balance at 01 July 2014	**3 728 194 826**	**3 728 194 826**
Changes in net assets		
Surplus for the year	121 467 198	121 467 198
Total changes	121 467 198	121 467 198
Opening balance as previously reported	3 589 263 667	3 589 263 667
Adjustments		
Correction of errors (Note 46)	260 398 357	260 398 357
Restated* Balance at 01 July 2015 as restated*	**3 849 662 024**	**3 849 662 024**
Changes in net assets		
Surplus for the year	170 583 601	170 583 601
Total changes	170 583 601	170 583 601
Balance at 30 June 2016	**4 020 245 625**	**4 020 245 625**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity 2016	Economic entity 2015 Restated*	Controlling entity 2016	Controlling entity 2015 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		327 963 324	331 918 264	319 339 593	287 304 854
Grants		747 241 150	706 253 174	747 241 150	706 253 174
Interest income		30 628 193	19 514 892	29 874 150	18 995 968
		1 105 832 667	1 057 686 330	1 096 454 893	1 012 553 996
Payments					
Employee costs		(312 201 457)	(283 986 203)	(296 976 886)	(276 111 229)
Finance costs		(13 556 116)	(12 812 729)	(13 556 084)	(12 812 707)
Other payments		(365 319 603)	(326 780 517)	(378 163 231)	(303 433 886)
		(691 077 176)	(623 579 449)	(688 696 201)	(592 357 822)
Net cash flows from operating activities	41	**414 755 491**	**434 106 881**	**407 758 692**	**420 196 174**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(360 357 854)	(322 488 765)	(359 454 754)	(322 240 016)
Proceeds from sale of property, plant and equipment	11	963 496	883 349	874 497	885 269
Purchase of other intangible assets	12	(4 901 812)	(2 514 806)	(4 895 935)	(2 479 944)
Proceeds from sale of other intangible assets	12	-	1 920	-	-
Purchases of financial assets		-	-	-	(100)
Proceeds from sale of financial assets		209 540	(283 053)	209 540	(283 053)
Net cash flows from investing activities		**(364 086 630)**	**(324 401 355)**	**(363 266 652)**	**(324 117 844)**
Cash flows from financing activities					
Repayment of other financial liabilities		(17 893 632)	(16 979 493)	(17 893 632)	(16 979 493)
Finance lease payments		(3 063 785)	(3 504 496)	(3 063 785)	(3 504 496)
Net cash flows from financing activities		**(20 957 417)**	**(20 483 989)**	**(20 957 417)**	**(20 483 989)**
Net increase/(decrease) in cash and cash equivalents		**29 711 444**	**89 221 537**	**23 534 623**	**75 594 341**
Cash and cash equivalents at the beginning of the year		246 549 434	157 327 897	232 922 238	157 327 897
Cash and cash equivalents at the end of the year	9	**276 260 878**	**246 549 434**	**256 456 861**	**232 922 238**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	407 861 122	55 050 383	**462 911 505**	316 107 885	**(146 803 620)**	58
Rental of facilities and equipment	1 484 607	316 518	**1 801 125**	1 089 006	**(712 119)**	58
Other income	7 861 935	18 495 822	**26 357 757**	16 629 673	**(9 728 084)**	58
Interest received - investment	9 102 126	12 096 617	**21 198 743**	30 628 193	**9 429 450**	58
Total revenue from exchange transactions	**426 309 790**	**85 959 340**	**512 269 130**	**364 454 757**	**(147 814 373)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	731 458 000	7 138 323	**738 596 323**	733 381 765	**(5 214 558)**	58
Public contributions and donations	5 084 234	2 477 421	**7 561 655**	4 961 650	**(2 600 005)**	58
Total revenue from non-exchange transactions	**736 542 234**	**9 615 744**	**746 157 978**	**738 343 415**	**(7 814 563)**	
Total revenue	**1 162 852 024**	**95 575 084**	**1 258 427 108**	**1 102 798 172**	**(155 628 936)**	
Expenditure						
Personnel	(290 323 933)	(14 560 093)	**(304 884 026)**	(302 629 306)	**2 254 720**	58
Remuneration of councillors	(9 916 190)	(1 150 877)	**(11 067 067)**	(9 543 737)	**1 523 330**	58
Depreciation and amortisation	(70 284 811)	(46 036 265)	**(116 321 076)**	(195 107 992)	**(78 786 916)**	58
Impairment loss/ Reversal of impairments	(23 071 655)	2 500	**(23 069 155)**	(97 093 187)	**(74 024 032)**	58
Finance costs	(18 951 934)	5 671	**(18 946 263)**	(13 556 116)	**5 390 147**	58
Lease rentals on operating lease	(1 000 000)	50 000	**(950 000)**	(2 799 296)	**(1 849 296)**	58
Bad debts written off	-	-	**-**	(196 710)	**(196 710)**	58
Repairs and maintenance	(58 496 974)	(5 134 441)	**(63 631 415)**	(63 151 041)	**480 374**	58
Bulk purchases	(69 255 000)	-	**(69 255 000)**	(66 091 136)	**3 163 864**	58
Contracted Services	(22 337 123)	(3 223 440)	**(25 560 563)**	(22 808 384)	**2 752 179**	58
Transfers and Subsidies	(95 189 882)	(3 416 431)	**(98 606 313)**	(20 327 058)	**78 279 255**	58
General Expenses	(145 760 837)	(3 659 611)	**(149 420 448)**	(135 645 427)	**13 775 021**	58
Total expenditure	**(804 588 339)**	**(77 122 987)**	**(881 711 326)**	**(928 949 390)**	**(47 238 064)**	
Operating surplus	**358 263 685**	**18 452 097**	**376 715 782**	**173 848 782**	**(202 867 000)**	
Gain on disposal of assets and liabilities	-	-	**-**	716 192	**716 192**	
Fair value adjustments	-	-	**-**	96 749	**96 749**	
	-	**-**	**-**	**812 941**	**812 941**	
Surplus before taxation	**358 263 685**	**18 452 097**	**376 715 782**	**174 661 723**	**(202 054 059)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**358 263 685**	**18 452 097**	**376 715 782**	**174 661 723**	**(202 054 059)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 052 932	15 147 791	**24 200 723**	11 524 055	**(12 676 668)**	
Current portion of long-term receivables	57 461	(3 013)	**54 448**	11 594	**(42 854)**	
Operating lease asset	-	-	**-**	46 289	**46 289**	
Receivables from non-exchange transactions	5 372 678	48 165 596	**53 538 274**	27 131 383	**(26 406 891)**	
VAT receivable	-	-	**-**	36 117 732	**36 117 732**	
Receivables from exchange transactions	75 878 189	25 196 687	**101 074 876**	59 351 120	**(41 723 756)**	
Cash and cash equivalents	234 570 635	33 180 746	**267 751 381**	278 567 023	**10 815 642**	
	324 931 895	**121 687 807**	**446 619 702**	**412 749 196**	**(33 870 506)**	
Non-Current Assets						
Investment property	22 500 000	8 373 414	**30 873 414**	29 500 000	**(1 373 414)**	
Property, plant and equipment	2 579 253 144	1 190 904 176	**3 770 157 320**	3 996 395 865	**226 238 545**	
Intangible assets	12 508 519	(3 078 595)	**9 429 924**	11 504 130	**2 074 206**	
Long-term receivables	136 078	148 098	**284 176**	101 365	**(182 811)**	
	2 614 397 741	**1 196 347 093**	**3 810 744 834**	**4 037 501 360**	**226 756 526**	
Total Assets	**2 939 329 636**	**1 318 034 900**	**4 257 364 536**	**4 450 250 556**	**192 886 020**	
Liabilities						
Current Liabilities						
Current portion of long-term liabilities	17 815 991	5 262 264	**23 078 255**	19 727 697	**(3 350 558)**	
Operating lease liability	-	-	**-**	108 315	**108 315**	
Payables from exchange transactions	87 318 742	92 480 860	**179 799 602**	177 147 533	**(2 652 069)**	
Consumer deposits	20 559 365	476 340	**21 035 705**	20 606 607	**(429 098)**	
Unspent conditional grants and receipts	-	-	**-**	8 729 920	**8 729 920**	
Provisions	2 116 481	19 165 732	**21 282 213**	25 715 613	**4 433 400**	
Bank overdraft	-	-	**-**	2 306 145	**2 306 145**	
	127 810 579	**117 385 196**	**245 195 775**	**254 341 830**	**9 146 055**	
Non-Current Liabilities						
Long-term liabilities	131 323 325	20 434 608	**151 757 933**	125 825 541	**(25 932 392)**	
Retirement benefit liabilities	31 435 616	(1 527 246)	**29 908 370**	15 571 785	**(14 336 585)**	
Other long-term employee benefits	-	-	**-**	14 010 102	**14 010 102**	
	162 758 941	**18 907 362**	**181 666 303**	**155 407 428**	**(26 258 875)**	
Total Liabilities	**290 569 520**	**136 292 558**	**426 862 078**	**409 749 258**	**(17 112 820)**	
Net Assets	**2 648 760 116**	**1 181 742 342**	**3 830 502 458**	**4 040 501 298**	**209 998 840**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 648 760 116	1 181 742 342	**3 830 502 458**	4 040 501 298	**209 998 840**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	362 970 667	69 578 566	**432 549 233**	327 981 324	**(104 567 909)**	
Grants	737 222 234	5 285 744	**742 507 978**	747 241 150	**4 733 172**	
Interest income	7 918 850	9 954 924	**17 873 774**	30 628 193	**12 754 419**	
	1 108 111 751	**84 819 234**	**1 192 930 985**	**1 105 850 667**	**(87 080 318)**	
Payments						
Employee costs	(300 240 123)	(15 710 970)	**(315 951 093)**	(312 201 457)	**3 749 636**	
Finance costs	(18 951 934)	5 671	**(18 946 263)**	(13 556 116)	**5 390 147**	
Other payments	(389 285 163)	(18 904 644)	**(408 189 807)**	(365 319 603)	**42 870 204**	
	(708 477 220)	**(34 609 943)**	**(743 087 163)**	**(691 077 176)**	**52 009 987**	
Net cash flows from operating activities	**399 634 531**	**50 209 291**	**449 843 822**	**414 773 491**	**(35 070 331)**	
Purchase of property, plant and equipment	(337 894 499)	(72 972 719)	**(410 867 218)**	(360 375 854)	**50 491 364**	
Proceeds from sale of property, plant and equipment	-	-	**-**	963 496	**963 496**	
Purchase of other intangible assets	-	-	**-**	(4 901 812)	**(4 901 812)**	
Proceeds from sale of financial assets	-	-	**-**	209 540	**209 540**	
Net cash flows from investing activities	**(337 894 499)**	**(72 972 719)**	**(410 867 218)**	**(364 104 630)**	**46 762 588**	
Cash flows from financing activities						
Increase/(decrease) in consumer deposits	979 017	-	**979 017**	(3 063 785)	**(4 042 802)**	
Repayment of other financial liabilities	(18 753 675)	-	**(18 753 675)**	(17 893 632)	**860 043**	
Net cash flows from financing activities	**(17 774 658)**	**-**	**(17 774 658)**	**(20 957 417)**	**(3 182 759)**	
Net increase/(decrease) in cash and cash equivalents	43 965 374	(22 763 428)	**21 201 946**	29 711 444	**8 509 498**	
Cash and cash equivalents at the beginning of the year	190 605 261	55 944 173	**246 549 434**	246 549 434	**-**	
Cash and cash equivalents at the end of the year	**234 570 635**	**33 180 745**	**267 751 380**	**276 260 878**	**8 509 498**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	407 861 122	55 050 383	**462 911 505**	316 107 885	**(146 803 620)**	58
Rental of facilities and equipment	1 484 607	316 518	**1 801 125**	1 089 006	**(712 119)**	58
Other income	7 861 935	18 495 822	**26 357 757**	16 097 754	**(10 260 003)**	58
Interest received - investment	9 102 126	12 096 617	**21 198 743**	29 874 150	**8 675 407**	58
Total revenue from exchange transactions	**426 309 790**	**85 959 340**	**512 269 130**	**363 168 795**	**(149 100 335)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	736 542 234	9 615 744	**746 157 978**	733 381 765	**(12 776 213)**	58
Total revenue	**1 162 852 024**	**95 575 084**	**1 258 427 108**	**1 096 550 560**	**(161 876 548)**	
Expenditure						
Personnel	(290 323 933)	(14 560 093)	**(304 884 026)**	(294 667 945)	**10 216 081**	58
Remuneration of councillors	(9 916 190)	(1 150 877)	**(11 067 067)**	(8 957 246)	**2 109 821**	58
Depreciation and amortisation	(70 284 811)	(46 036 265)	**(116 321 076)**	(194 949 604)	**(78 628 528)**	58
Impairment loss/ Reversal of impairments	(23 071 655)	2 500	**(23 069 155)**	(97 093 187)	**(74 024 032)**	58
Finance costs	(18 951 934)	5 671	**(18 946 263)**	(13 556 084)	**5 390 179**	58
Lease rentals on operating lease	(1 000 000)	50 000	**(950 000)**	(2 050 086)	**(1 100 086)**	58
Bad debts written off	-	-	**-**	(172 017)	**(172 017)**	58
Repairs and maintenance	(58 496 974)	(5 134 441)	**(63 631 415)**	(63 008 980)	**622 435**	58
Bulk purchases	(69 255 000)	-	**(69 255 000)**	(66 091 136)	**3 163 864**	58
Contracted Services	(22 337 123)	(3 223 440)	**(25 560 563)**	(22 704 656)	**2 855 907**	58
Transfers and Subsidies	(95 189 882)	(3 416 431)	**(98 606 313)**	(37 172 994)	**61 433 319**	58
General Expenses	(145 760 837)	(3 659 611)	**(149 420 448)**	(126 286 765)	**23 133 683**	58
Total expenditure	**(804 588 339)**	**(77 122 987)**	**(881 711 326)**	**(926 710 700)**	**(44 999 374)**	
Operating surplus	**358 263 685**	**18 452 097**	**376 715 782**	**169 839 860**	**(206 875 922)**	
Gain on disposal of assets and liabilities	-	-	**-**	646 992	**646 992**	
Fair value adjustments	-	-	**-**	96 749	**96 749**	
	-	**-**	**-**	**743 741**	**743 741**	
Surplus before taxation	**358 263 685**	**18 452 097**	**376 715 782**	**170 583 601**	**(206 132 181)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**358 263 685**	**18 452 097**	**376 715 782**	**170 583 601**	**(206 132 181)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 052 932	15 147 791	**24 200 723**	11 524 055	**(12 676 668)**	
Current portion of Long-term receivables	57 461	(3 013)	**54 448**	11 594	**(42 854)**	
Operating lease asset	-	-	**-**	46 289	**46 289**	
Receivables from non-exchange transactions	5 372 678	48 165 596	**53 538 274**	27 115 383	**(26 422 891)**	
VAT receivable	-	-	**-**	36 461 097	**36 461 097**	
Receivables from exchange transactions	75 878 189	25 196 687	**101 074 876**	58 696 872	**(42 378 004)**	
Cash and cash equivalents	234 570 635	33 180 746	**267 751 381**	258 763 006	**(8 988 375)**	
	324 931 895	**121 687 807**	**446 619 702**	**392 618 296**	**(54 001 406)**	
Non-Current Assets						
Investment property	22 500 000	8 373 414	**30 873 414**	29 500 000	**(1 373 414)**	
Property, plant and equipment	2 579 253 144	1 190 904 176	**3 770 157 320**	3 994 952 987	**224 795 667**	
Intangible assets	12 508 519	(3 078 595)	**9 429 924**	11 460 699	**2 030 775**	
Investments in controlled entities	-	-	**-**	200	**200**	
Long-term receivables	136 078	148 098	**284 176**	101 365	**(182 811)**	
	2 614 397 741	**1 196 347 093**	**3 810 744 834**	**4 036 015 251**	**225 270 417**	
Total Assets	**2 939 329 636**	**1 318 034 900**	**4 257 364 536**	**4 428 633 547**	**171 269 011**	
Liabilities						
Current Liabilities						
Current portion of long-term liabilities	17 815 991	5 262 264	**23 078 255**	19 727 697	**(3 350 558)**	
Operating lease liability	-	-	**-**	55 585	**55 585**	
Payables from exchange transactions	87 318 742	92 480 860	**179 799 602**	176 397 203	**(3 402 399)**	
Consumer deposits	20 559 365	476 340	**21 035 705**	20 606 607	**(429 098)**	
Unspent conditional grants and receipts	-	-	**-**	8 729 920	**8 729 920**	
Provisions	2 116 481	19 165 732	**21 282 213**	25 157 337	**3 875 124**	
Bank overdraft	-	-	**-**	2 306 145	**2 306 145**	
	127 810 579	**117 385 196**	**245 195 775**	**252 980 494**	**7 784 719**	
Non-Current Liabilities						
Long-term liabilities	131 323 325	20 434 608	**151 757 933**	125 825 541	**(25 932 392)**	
Retirement benefit liabilities	-	-	**-**	15 571 785	**15 571 785**	
Other long-term employee benefits	31 435 616	(1 527 246)	**29 908 370**	14 010 102	**(15 898 268)**	
	162 758 941	**18 907 362**	**181 666 303**	**155 407 428**	**(26 258 875)**	
Total Liabilities	**290 569 520**	**136 292 558**	**426 862 078**	**408 387 922**	**(18 474 156)**	
Net Assets	**2 648 760 116**	**1 181 742 342**	**3 830 502 458**	**4 020 245 625**	**189 743 167**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 648 760 116	1 181 742 342	**3 830 502 458**	4 020 245 625	**189 743 167**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	362 970 667	69 578 566	**432 549 233**	319 339 593	**(113 209 640)**	
Grants	737 222 234	5 285 744	**742 507 978**	747 241 150	**4 733 172**	
Interest income	7 918 850	9 954 924	**17 873 774**	29 874 150	**12 000 376**	
	1 108 111 751	**84 819 234**	**1 192 930 985**	**1 096 454 893**	**(96 476 092)**	
Payments						
Employee costs	(300 240 123)	(15 710 970)	**(315 951 093)**	(296 976 886)	**18 974 207**	
Finance costs	(18 951 934)	5 671	**(18 946 263)**	(13 556 084)	**5 390 179**	
Other payments	(389 285 163)	(18 904 644)	**(408 189 807)**	(378 163 231)	**30 026 576**	
	(708 477 220)	**(34 609 943)**	**(743 087 163)**	**(688 696 201)**	**54 390 962**	
Net cash flows from operating activities	**399 634 531**	**50 209 291**	**449 843 822**	**407 758 692**	**(42 085 130)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(337 894 499)	(72 972 719)	**(410 867 218)**	(359 454 754)	**51 412 464**	
Proceeds from sale of property, plant and equipment	-	-	**-**	874 497	**874 497**	
Purchase of other intangible assets	-	-	**-**	(4 895 935)	**(4 895 935)**	
Decrease/(Increase) in current portion of long-term receivables	-	-	**-**	40 261	**40 261**	
Decrease/(Increase) in long-term receivables	-	-	**-**	169 279	**169 279**	
Net cash flows from investing activities	**(337 894 499)**	**(72 972 719)**	**(410 867 218)**	**(363 266 652)**	**47 600 566**	
Cash flows from financing activities						
Increase/(decrease) in consumer	979 017	-	**979 017**	-	**(979 017)**	
Repayment of other financial liabilities	(18 753 675)	-	**(18 753 675)**	(20 957 417)	**(2 203 742)**	
Net cash flows from financing activities	**(17 774 658)**	**-**	**(17 774 658)**	**(20 957 417)**	**(3 182 759)**	
Net increase/(decrease) in cash and cash equivalents	43 965 374	(22 763 428)	**21 201 946**	23 534 623	**2 332 677**	
Cash and cash equivalents at the beginning of the year	190 605 261	55 944 173	**246 549 434**	232 922 238	**(13 627 196)**	
Cash and cash equivalents at the end of the year	**234 570 635**	**33 180 745**	**267 751 380**	**256 456 861**	**(11 294 519)**	

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2016											
Financial Performance											
Service charges	407 861 122	55 050 383	462 911 505	-		462 911 505	316 107 885		(146 803 620)	68 %	78 %
Investment revenue	9 102 126	12 096 617	21 198 743	-		21 198 743	29 874 150		8 675 407	141 %	328 %
Transfers recognised - operational	381 543 814	(1 322 579)	380 221 235	-		380 221 235	362 911 650		(17 309 585)	95 %	95 %
Other own revenue	9 346 542	18 812 340	28 158 882	-		28 158 882	17 930 501		(10 228 381)	64 %	192 %
Total revenue (excluding capital transfers and contributions)	**807 853 604**	**84 636 761**	**892 490 365**	**-**		**892 490 365**	**726 824 186**		**(165 666 179)**	**81 %**	**90 %**
Employee costs	(290 323 933)	(14 560 093)	(304 884 026)	-	-	(304 884 026)	(294 667 945)	-	10 216 081	97 %	101 %
Remuneration of councillors	(9 916 190)	(1 150 877)	(11 067 067)	-	-	(11 067 067)	(8 957 246)	-	2 109 821	81 %	90 %
Debt impairment	-	-	-			-	(172 017)	172 017	(172 017)	100 %	100 %
Depreciation and asset impairment	(93 356 466)	(46 033 765)	(139 390 231)			(139 390 231)	(292 042 791)	112 677 428	(152 652 560)	210 %	313 %
Finance charges	(18 951 934)	5 671	(18 946 263)	-	-	(18 946 263)	(13 556 084)	-	5 390 179	72 %	72 %
Materials and bulk purchases	(69 255 000)	-	(69 255 000)	-	-	(69 255 000)	(66 091 136)	-	3 163 864	95 %	95 %
Transfers and grants	(95 189 882)	(3 416 431)	(98 606 313)	-	-	(98 606 313)	(37 172 994)	-	61 433 319	38 %	39 %
Other expenditure	(227 594 934)	(11 967 492)	(239 562 426)	-	-	(239 562 426)	(214 050 487)	1 100 086	25 511 939	89 %	94 %
Total expenditure	**(804 588 339)**	**(77 122 987)**	**(881 711 326)**	**-**	**-**	**(881 711 326)**	**(926 710 700)**	**113 949 531**	**(44 999 374)**	**105 %**	**115 %**
Surplus/(Deficit)	**3 265 265**	**7 513 774**	**10 779 039**	**-**		**10 779 039**	**(199 886 514)**		**(210 665 553)**	**(1 854)%**	**(6 122)%**

A Place where everyone benefits equally from socio-economic opportunities and services

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	354 998 420	10 938 323	365 936 743	-		365 936 743	370 470 115		4 533 372	101 %	104 %
Surplus (Deficit) after capital transfers and contributions	**358 263 685**	**18 452 097**	**376 715 782**	-		**376 715 782**	**170 583 601**		**(206 132 181)**	**45 %**	**48 %**
Surplus/(Deficit) for the year	**358 263 685**	**18 452 097**	**376 715 782**	-		**376 715 782**	**170 583 601**		**(206 132 181)**	**45 %**	**48 %**
Capital expenditure and funds sources											
Total capital expenditure	396 652 920	14 214 298	410 867 218	-		410 867 218	364 488 055		(46 379 163)	89 %	92 %
Sources of capital funds											
Transfers recognised - capital	354 998 420	9 438 323	364 436 743	-		364 436 743	334 217 843		(30 218 900)	92 %	94 %
Internally generated funds	41 654 500	4 775 975	46 430 475	-		46 430 475	30 270 212		(16 160 263)	65 %	73 %
Total sources of capital funds	**396 652 920**	**14 214 298**	**410 867 218**	-		**410 867 218**	**364 488 055**		**(46 379 163)**	**89 %**	**92 %**

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2015				
Financial Performance				
Service charges				295 020 086
Investment revenue				18 995 968
Transfers recognised - operational				321 617 663
Other own revenue				18 294 653
Total revenue (excluding capital transfers and contributions)				**653 928 370**
Employee costs	(8 200 248)	(8 200 248)	-	(267 421 308)
Remuneration of councillors	-	-	-	(8 689 921)
Depreciation and asset impairment	(248 461 636)	(248 461 636)	-	(357 690 125)
Finance charges	-	-	-	(12 812 707)
Materials and bulk purchases	-	-	-	(52 626 127)
Transfers and grants	-	-	-	(45 521 982)
Other expenditure	(17 132 246)	(17 132 246)	-	(188 489 432)
Total expenditure	**(273 794 130)**	**(273 794 130)**	**-**	**(933 251 602)**
Surplus/(Deficit)				**(279 323 232)**
Transfers recognised - capital				400 790 430
Surplus (Deficit) after capital transfers and contributions				**121 467 198**
Surplus/(Deficit) for the year				**121 467 198**

Ugu District Municipality

(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2016

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				347 808 833
Sources of capital funds				
Transfers recognised - capital				295 543 720
Internally generated funds				29 987 028
Total sources of capital funds				**325 530 748**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated 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 consolidated 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These consolidated financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

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

Accounting Policies

1.3 Consolidation

Basis of consolidation

Consolidated consolidated financial statements are the consolidated financial statements of the economic entity presented as those of a single entity.

The consolidated consolidated financial statements incorporate the consolidated financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The consolidated financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated consolidated financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the consolidated financial statements of a controlled entity used in the preparation of consolidated consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Accounting Policies

1.2 Consolidation (continued)

Entity combinations

The economic entity accounts for entity combinations using the acquisition method of accounting. The cost of the entity combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the entity combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of GRAP 107 Business combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the economic entity assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for economic entity purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from an entity combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual entity combination, and disclosed in the note for entity combinations.

In cases where the economic entity held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in surplus or deficit for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other net assets are recognised in surplus or deficit as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the economic entity at the end of each reporting period with the adjustment recognised in net assets.

Consolidated municipal entities

The municipality exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

South Coast Development Agency, Hibiscus Coast Local Municipality has entered in a Memorandum of Understanding to transfer of this company to Ugu District Municipality as from 01 July 2014.

All thirteen members serving on the board of directors of the municipal entity are nominated by the municipality's executive committee (13/13 = 100.00%).

1.4 Change in accounting policy and comparability

Accounting policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2015 and 30 June 2016 the municipality has adopted the accounting framework as set out in Note 2. The details of any resulting changes in accounting policy and comparative restatements are set out in the relevant Notes to the annual financial statements.

Accounting Policies

1.4 Change in accounting policy and comparability (continued)

The municipality changes an accounting policy only if the change:

- Is required by a Standard of GRAP; or
- Results in the annual financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the municipality's financial position, financial performance or cash flow.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables, held to maturity investments 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 surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as exchange rate, inflation and interest.

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 20 - Provisions.

Useful lives of waste and water network and other assets

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 norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 economic entity 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 economic entity 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 21.

Allowance for doubtful debts

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

1.6 Budget information

Economic Entity 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 economic entity 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 consolidated 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.

The Statement of comparative and actual information has been included in the consolidated financial statements as the recommended disclosure when the consolidated financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.7 Investment property

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

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

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

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

Accounting Policies

1.7 Investment property (continued)

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

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

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

The carrying amount of an item of investment property is derecognised on disposal. The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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.

1.8 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 economic entity; 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Infrastructure -Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Community - Sports facilities	Straight line	5 to 30 years
Community - Other facilities	Straight line	5 to 30 years
Other - Computer equipment	Straight line	3 to 10 years
Other - Furniture and Fittings	Straight line	3 to 15 years
Other - Office equipment	Straight line	3 to 15 years
Other - Office equipment	Straight line	2 to 15 years
Other - Plant and equipment	Straight line	10 to 15 years
Other - Specialised vehicles	Straight line	5 to 15 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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 economic entity 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.

1.9 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 economic entity or from other rights and obligations.

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity 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.

Accounting Policies

1.9 Intangible assets (continued)

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	2 to 5 years
Servitudes	Infinitive
Intangible assets under development	Infinitive

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.10 Investments in controlled entities

Economic entity consolidated financial statements

The economic entity consolidated financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Controlling entity consolidated financial statements

In the municipality's separate consolidated financial statements, investments in investments in controlled entities are carried at
.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

1.11 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Accounting Policies

1.11 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Annuity loans	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.11 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.11 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.12 Tax

Value added tax

The Municipality and South Coast Development Agency accounts for value added tax on the payment basis in accordance with section 15(2) of the value-added tax act (Act No. 89 of 1991).

Ugu South Coast Tourism accounts for value added tax on the invoice basis in accordance with section 15(2) of the value-added tax act (Act No. 89 of 1991

1.13 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.

Accounting Policies

1.13 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Consumable stores, maintenance stores, and water:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on inventory in the ordinary course of business). If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water inventory:

Accounting Policies

1.14 Inventories (continued)

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the First In First Out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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 economic entity; or
(b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

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

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

Irrespective of whether there is any indication of impairment, the economic entity 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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.15 Impairment of 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 economic entity 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.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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 entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.16 Employee benefits (continued)

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.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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 reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.17 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.19 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 economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges

Service charges are levied in terms of approved tariffs.

Service charges from water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional metre reading of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional metre reading of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by the Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Finance income

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

(i) Interest earned on unspent conditional grants is allocated directly to the creditor: Unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

1.20 Revenue from non-exchange transactions

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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.

Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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 economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Public contributions and donations received

Public contributions and donations received 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.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Revenue from recovery of unauthorised, irregular and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Accounting Policies

1.21 Investment income

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

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

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

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

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

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

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

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

Accounting Policies

1.26 Irregular expenditure (continued)

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

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

1.27 Related parties

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

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

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

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

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.

2.2 Standards and Interpretations early adopted

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.

2.3 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not yet effective
• GRAP108: Statutory Receivables	01 April 2016	Not yet effective
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not yet effective

Notes to the Consolidated Financial Statements

2. New standards and interpretations (continued)

• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Not yet effective

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

3. Inventories

Consumable stores	4 636 017	7 322 970	4 636 017	7 322 970
Maintenance materials	6 410 189	6 673 837	6 410 189	6 673 837
Water	477 849	429 661	477 849	429 661
	11 524 055	**14 426 468**	**11 524 055**	**14 426 468**

The economic entity has identified and measured all inventory in terms of GRAP 12 for the financial year ended 30 June 2016. The balances of the inventories have accordingly been restated retrospectively.

The cost of water production for the year amounted to R1,97 per kilolitre (2015: R1,87 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality.

4. Long-term receivables

At amortised cost				
Sundry Loans Sundry loans are made of recoveries that are receivable from employees as results of damages to municipality belongings and employee has acknowlegded the negligence. The sundry loans are not secured and are interest free. The average term of these loans 1 to 5 years.	240 668	310 271	240 668	310 271
Relocation costs Relocation costs are interest free and are recoverable from employee when the agreed terms, of employment contract are not honoured. The average term of this loans are 3 years. During the current financial period there were no relocation costs receivable.	-	12 228	-	12 228
	240 668	322 499	240 668	322 499
Impairments	(127 709)	-	(127 709)	-
	112 959	**322 499**	**112 959**	**322 499**
Non-current assets				
At amortised cost	101 365	270 644	101 365	270 644
Current assets				
At amortised cost	11 594	51 855	11 594	51 855

5. Operating lease asset (accrual)

Current assets	46 289	28 410	46 289	28 410
Current liabilities	(108 315)	(74 616)	(55 585)	(50 643)
	(62 026)	**(46 206)**	**(9 296)**	**(22 233)**

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

5. Operating lease asset (accrual) (continued)

Operating lease asset				
Balance at beginning of year	28 410	57 450	28 410	57 450
Operating lease revenue recorded	1 111 769	968 235	1 111 769	968 235
Operating lease revenue from smoothing	(1 093 890)	(997 275)	(1 093 890)	(997 275)
Total operating lease assets	**46 289**	**28 410**	**46 289**	**28 410**

Leasing Arrangements

The Municipality as Lessor:

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable under operating leases

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	227 621	443 024	227 621	443 024
2 to 5 years	674 223	901 844	674 223	901 844
	901 844	**1 344 868**	**901 844**	**1 344 868**

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R46 289 (2015: R28 410).

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Operating lease accrual

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	69 605	68 687	50 642	59 991
Operating lease expenses recorded	2 414 935	1 670 175	1 885 003	1 836 763
Operating lease payments from smoothing	(2 376 225)	(1 669 257)	(1 880 060)	(1 846 112)
	108 315	**69 605**	**55 585**	**50 642**

Leasing arrangements

The Municipality as Lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

5. Operating lease asset (accrual) (continued)

Amounts payable under operating lease

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Within one year	1 729 191	1 319 516	436 369	827 632
In the second to third years, inclusive	1 953 228	1 001 582	552 211	415 667
Over three years	679 488	751 357	-	165 443
	4 361 907	**3 072 455**	**988 580**	**1 408 742**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	2 414 935	1 670 175	1 885 003	1 836 763

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor.

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

6. Receivables from non-exchange transactions

Payments made in advance	9 740 266	14 169 625	9 740 266	14 169 625
Government grants and subsidies	-	24 842 210	-	24 842 210
Municipal grants	-	455 934	-	-
Insurance claims	-	122 367	-	122 367
Municipal entities	-	50 979	-	50 979
Sundry deposits	1 604 432	808 432	1 604 432	808 432
Sundry debtors	15 786 685	10 510 875	15 770 685	10 510 875
	27 131 383	**50 960 422**	**27 115 383**	**50 504 488**

The average credit period for government grants and subsidies is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Insurance claims are amounts which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Sundry receivables are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

6. Receivables from non-exchange transactions (continued)

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 7 041 696 (2015: R 10 737 228) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	7 041 696	10 737 228	7 041 696	10 737 228

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

Opening balance	2 865 549	8 918 964	2 865 549	8 918 964
Provision for impairment	410 296	-	410 296	-
Amounts written off as uncollectible	-	(6 053 415)	-	(6 053 415)
	3 275 845	**2 865 549**	**3 275 845**	**2 865 549**

The Provision for Impairment on receivables exists predominantly due to the possibility that these amounts may not be recovered. The receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these being sundry in nature.

7. VAT receivable

VAT	36 117 732	-	36 461 097	-

VAT for Municipality and South Coast Development Agency is payable on the payments basis. Once cash has been received from customers/receivables, VAT is payable over to SARS. However Ugu South Coast Tourism VAT is payable on the invoice basis. When the invoice is raised an amount of VAT is payable to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

8. Receivables from exchange transactions

Gross balances				
Water rates	55 311 968	39 448 907	55 311 968	39 448 907
Water	202 422 943	159 112 650	202 422 943	159 112 650
Sewerage	61 686 021	61 408 041	61 686 021	61 408 041
Other trade	6 207 442	6 670 395	5 553 194	5 466 626
	325 628 374	**266 639 993**	**324 974 126**	**265 436 224**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

8. Receivables from exchange transactions (continued)

Less: Allowance for impairment				
Water rates	(48 819 652)	(24 184 196)	(48 819 652)	(24 184 196)
Water	(166 659 305)	(102 222 236)	(166 659 305)	(102 222 236)
Sewerage	(47 066 190)	(40 239 667)	(47 066 190)	(40 239 667)
Other trade	(3 732 107)	(3 732 107)	(3 732 107)	(3 732 107)
	(266 277 254)	**(170 378 206)**	**(266 277 254)**	**(170 378 206)**
Net balance				
Water rates	6 492 316	15 264 711	6 492 316	15 264 711
Water	35 763 638	56 890 414	35 763 638	56 890 414
Sewerage	14 619 831	21 168 374	14 619 831	21 168 374
Other trade	2 475 335	2 938 288	1 821 087	1 734 519
	59 351 120	**96 261 787**	**58 696 872**	**95 058 018**
Water rates				
Current (0 -30 days)	1 009 332	3 029 748	1 009 332	3 029 748
31 - 60 days	9 897	77 718	9 897	77 718
61 - 90 days	11 460	57 418	11 460	57 418
+90 days	5 461 627	12 099 827	5 461 627	12 099 827
	6 492 316	**15 264 711**	**6 492 316**	**15 264 711**
Water				
Current (0 -30 days)	10 891 693	14 119 066	10 891 693	17 163 046
31 - 60 days	3 904 049	4 408 069	3 904 049	4 408 069
61 - 90 days	2 330 862	3 483 731	2 330 862	3 483 731
+90 days	18 637 034	34 879 548	18 637 034	31 835 568
	35 763 638	**56 890 414**	**35 763 638**	**56 890 414**
Sewerage				
Current (0 -30 days)	6 983 017	8 446 128	6 983 017	8 446 128
31 - 60 days	1 820 177	2 525 068	1 820 177	2 525 068
61 - 90 days	698 929	2 377 970	698 929	2 377 970
+90 days	5 117 708	7 819 208	5 117 708	7 819 208
	14 619 831	**21 168 374**	**14 619 831**	**21 168 374**
Other trade				
Current (0 -30 days)	654 526	1 128 917	-	-
+90 days	1 820 809	1 809 371	1 821 087	1 734 519
	2 475 335	**2 938 288**	**1 821 087**	**1 734 519**
Reconciliation of allowance for impairment				
Balance at beginning of the year	(170 378 206)	(94 649 959)	(170 378 206)	(94 649 959)
Contributions to allowance	(95 961 516)	(85 629 566)	(95 961 516)	(85 629 566)
Debt impairment written off against allowance	62 468	9 901 319	62 468	9 901 319
	(266 277 254)	**(170 378 206)**	**(266 277 254)**	**(170 378 206)**

No receivables from exchange transactions have been pledged as collateral for liabilities of the municipality.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	63 349 801	50 603 362	43 554 709	36 989 962
Short-term deposits	215 203 330	222 079 555	215 203 330	222 079 555
Other cash and cash equivalents	13 892	18 707	4 967	4 910
Bank overdraft	(2 306 145)	(26 152 189)	(2 306 145)	(26 152 189)
	276 260 878	**246 549 435**	**256 456 861**	**232 922 238**
Current assets	278 567 023	272 701 623	258 763 006	259 074 427
Current liabilities	(2 306 145)	(26 152 189)	(2 306 145)	(26 152 189)
	276 260 878	**246 549 434**	**256 456 861**	**232 922 238**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating				
Long term (AAA) Short-term (F1+)	111 228 408	60 777 570	91 468 011	47 164 170
Long-term (AA) Short-term (F1+)	125 018 578	120 018 266	125 018 578	120 018 266
Long-term (A) Short-term (F1)	40 000 000	65 000 000	40 000 000	65 000 000
Other	-	734 892	-	734 892
	276 246 986	**246 530 728**	**256 486 589**	**232 917 328**

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

9. Cash and cash equivalents (continued)

The economic entity had the following bank accounts

Bank Accounts for Municipality	**Bank statement balances**			**Cash book balances**		
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2016**	**30 June 2015**	**30 June 2014**
ABSA BANK - Port Shepstone - Account Number 406 668 6529 (Primary Bank Account):	726 453	83 756	106 422	456 884	(16 321 139)	5 568
ABSA BANK - Port Shepstone - Account Number 406 668 6472 (General Bank Account):	5 176 442	3 223 171	(1 522 481)	(2 306 145)	(5 017 457)	(3 343 474)
ABSA BANK - Port Shepstone - Account Number 406 668 6294 (Collection Account):	798 319	83 316	897 611	774 383	59 381	873 676
ABSA BANK - Port Shepstone - Account Number 406 671 0647 (Consumer Deposits Bank Account):	2 173 512	740 365	2 874 066	748 577	(66 618)	654 262
ABSA BANK - Port Shepstone - Account Number 406 660 3763 (Salaries Account):	118 612	(56 150)	259 244	118 612	(56 150)	140 753
ABSA BANK - Port Shepstone - Account Number 406 757 0977 (Sanlam Group Life Account):	4 243 781	4 165 110	4 148 944	4 243 781	4 165 110	4 114 804
ABSA BANK - Port Shepstone - Account Number 406 668 6367 (MIG Project Account):	50 896	(4 690 825)	120 005	50 896	(4 690 825)	120 005
ABSA BANK - Port Shepstone - Account Number 407 187 0797 (Disaster Account):	-	-	199 600	-	-	199 600
ABSA BANK - Port Shepstone - Account Number 407 198 0239 (Market Account):	-	-	371 245	-	-	371 245
ABSA BANK - Port Shepstone - Account Number 407 626 7341 (EFF Bank Account):	-	-	1 640	-	-	1 640
ABSA BANK - Port Shepstone - Account Number 407 755 1917 (Conditional Grants Account):	37 161 575	32 765 471	145 892 168	37 161 575	32 765 471	145 892 168
Bank Accounts for Ugu South Coast Tourism	**Bank statement balances**			**Cash book balances**		
ABSA BANK - KZN Public Sector Branch, Account Number 407 403 6586	274 351	113 435	368 806	283 445	125 460	371 753
ABSA BANK - KZN Public Sector Branch, Account Number 923 286 9178	15 414 065	13 319 582	10 873 801	15 414 065	13 319 582	10 873 801
ABSA Rent Guarantee	38 334	36 000	44 478	38 334	36 000	44 478
Bank Accounts for South Coast Development Agency	**Bank statement balances**			**Cash book balances**		
ABSA BANK - Port Shepstone - Account Number 405 752 5673 (Primary Bank Account)	8 485	132 359	113 359	8 485	132 359	113 359
Investec Call Deposits	4 050 763	-	1 616 158	4 050 763	-	1 616 158
Total	**70 235 588**	**49 915 590**	**166 365 066**	**61 043 655**	**24 451 174**	**162 049 796**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

10. Investment property

Economic entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 500 000	-	29 500 000	29 403 251	-	29 403 251

Controlling entity	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	29 500 000	-	29 500 000	29 403 251	-	29 403 251

The Municipality has classified the Ugu Fresh Produce Market, and Ugu Sports & Leisure Center, as investment property in terms of its asset management policy.

Ugu Fres Produce Market is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

Ugu Sports and Leisure Center is situated on portion 7 of the Farm Burliegh ET 5100. The Sports and Leisure is consist of Main Building, Indoor Sports Hall and Sports Fields.

The municipality uses the fair value model to value its investment properties. For the year ending 30 June 2016 a fair value assessment was undertaken by Pierre Rynners Valuers. The valuation methodology applied is the income capitalisation approach, were by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value. A fair value adjustment has been affected in the financial statements valuation.

Reconciliation of investment property - Economic entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

Reconciliation of investment property - Economic entity - 2015

	Opening balance	Transfers received	Fair value adjustments	Total
Investment property	14 600 000	19 003 251	(4 200 000)	29 403 251

Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

10. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2015

	Opening balance	Transfers received	Fair value adjustments	Total
Investment property	14 600 000	19 003 251	(4 200 000)	29 403 251
Fair value of investment properties	29 500 000	29 403 251	29 500 000	29 403 251

Pledged as security

No investment properties have been pledged as collateral for liabilities of the municipality.

Revenue and expenditure disclosed in the Statement of Financial Performance include the following:

Rental revenue earned from Investment Property	1 099 193	1 283 662	1 099 193	1 283 662
Direct operating expenses	(1 103 654)	(784 341)	(1 103 654)	(784 341)
	(4 461)	**499 321**	**(4 461)**	**499 321**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

11. Property, plant and equipment

Economic entity	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	198 431 452	(35 830 266)	162 601 186	181 963 836	(33 381 441)	148 582 395
Infrastructure	8 365 813 957	(4 579 870 818)	3 785 943 139	8 036 958 547	(4 398 542 316)	3 638 416 231
Other property, plant and equipment	156 851 787	(109 000 247)	47 851 540	143 913 506	(101 614 548)	42 298 958
Total	**8 721 097 196**	**(4 724 701 331)**	**3 996 395 865**	**8 362 835 889**	**(4 533 538 305)**	**3 829 297 584**

Controlling entity	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	198 431 452	(35 830 266)	162 601 186	181 963 836	(33 381 441)	148 582 395
Infrastructure	8 365 813 957	(4 579 870 818)	3 785 943 139	8 036 958 547	(4 398 542 316)	3 638 416 231
Other property, plant and equipment	154 736 919	(108 328 257)	46 408 662	142 500 146	(100 909 472)	41 590 674
Total	**8 718 982 328**	**(4 724 029 341)**	**3 994 952 987**	**8 361 422 529**	**(4 532 833 229)**	**3 828 589 300**

Ugu District Municipality

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	148 582 395	16 467 616	-	8 056 972	(8 056 972)	(2 448 825)	-	162 601 186
Infrastructure	3 638 416 231	328 855 409	-	69 680 716	(69 680 716)	(180 908 293)	(420 208)	3 785 943 139
Other property, plant and equipment	42 298 959	15 034 829	(247 304)	64 590	-	(9 299 534)	-	47 851 540
	3 829 297 585	**360 357 854**	**(247 304)**	**77 802 278**	**(77 737 688)**	**(192 656 652)**	**(420 208)**	**3 996 395 865**

Reconciliation of property, plant and equipment - Economic entity - 2015

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers received	Transfers	Depreciation	Total
Buildings	143 900 609	8 794 374	-	-	-	(1 879 415)	(2 233 173)	148 582 395
Infrastructure	3 513 586 079	302 595 505	-	-	-	-	(177 765 353)	3 638 416 231
Community	96 983 437	-	-	-	-	(93 419 085)	(3 564 352)	-
Other property, plant and equipment	39 614 107	10 900 892	197 994	(21 266)	810 785	-	(9 203 553)	42 298 959
	3 794 084 232	**322 290 771**	**197 994**	**(21 266)**	**810 785**	**(95 298 500)**	**(192 766 431)**	**3 829 297 585**

A Place where everyone benefits equally from socio-economic opportunities and services

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	148 582 395	16 467 616	-	8 056 972	(8 056 972)	(2 448 825)	-	162 601 186
Infrastructure	3 638 416 231	328 855 409	-	69 680 716	(69 680 716)	(180 908 293)	(420 208)	3 785 943 139
Other property, plant and equipment	41 590 674	14 131 729	(227 505)	64 590	-	(9 150 826)	-	46 408 662
	3 828 589 300	**359 454 754**	**(227 505)**	**77 802 278**	**(77 737 688)**	**(192 507 944)**	**(420 208)**	**3 994 952 987**

Reconciliation of property, plant and equipment - Controlling entity - 2015

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	143 900 609	8 794 374	-	-	(1 879 415)	(2 233 173)	-	148 582 395
Infrastructure	3 513 586 079	302 595 505	-	-	-	(177 765 353)	-	3 638 416 231
Community	96 983 437	-	-	-	(17 123 836)	(3 564 353)	(76 295 248)	-
Other property, plant and equipment	38 988 162	10 850 137	(1 851)	810 785	-	(9 056 559)	-	41 590 674
	3 793 458 287	**322 240 016**	**(1 851)**	**810 785**	**(19 003 251)**	**(192 619 438)**	**(76 295 248)**	**3 828 589 300**

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

A Place where everyone benefits equally from socio-economic opportunities and services

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
21. Retirement benefits liabilities (continued)				
Balance at beginning of the year	16 194 781	14 405 969	16 194 781	14 405 969
Current service costs	746 952	610 859	746 952	610 859
Interest cost	1 386 179	1 239 557	1 386 179	1 239 557
Benefits paid	(944 676)	(881 832)	(944 676)	(881 832)
Actuarial loss/(gain)	(784 815)	820 228	(784 815)	820 228
	16 598 421	**16 194 781**	**16 598 421**	**16 194 781**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	746 952	610 859	746 952	610 859
Interest cost	1 386 179	1 239 557	1 386 179	1 239 557
Actuarial losses/(gains)	(784 815)	820 228	(784 815)	820 228
	1 348 316	**2 670 644**	**1 348 316**	**2 670 644**

	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Present value of defined benefit obligation	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435
Dificit	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792	22 877 435
Expected adjustments on plan liabilities	(550 000)	729 000	(583 000)	(488 790)	(6 769 737)	1 949 195
	16 048 421	**16 923 781**	**13 822 969**	**21 741 060**	**12 962 055**	**24 826 630**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

2016	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 500	(89 000)	104 500
	(85 500)	**100 100**	**(85 500)**	**100 100**

2015	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	4 400	(5 900)	4 400	(5 900)
Effect on defined benefit obligation	(78 100)	92 400	(78 100)	92 400
	(73 700)	**86 500**	**(73 700)**	**86 500**

The municipality expects to make a contribution of R2,133 million (2015: R3,077 million) to the defined benefit plans during the next financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

22. Other long-term employee benefits

Provision for long service awards	14 010 102	13 234 057	14 010 102	13 234 057

The movement in non-current provisions are reconciled as follows:

Long-term service				
Balance at beginning of year	13 234 057	11 076 109	13 234 057	11 076 109
Contributions to provision	3 157 638	3 029 263	3 157 638	3 029 263
	16 391 695	14 105 372	16 391 695	14 105 372
Transfer to current provisions	(2 381 593)	(871 315)	(2 381 593)	(871 315)
Balance at end of year	**14 010 102**	**13 234 057**	**14 010 102**	**13 234 057**

A long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 855 (2015: 858) employees were eligible for long-service awards.

The current-service cost for the year ending 30 June 2016 is estimated to be R1 560 803, whereas the cost for the ensuing year is estimated to be R1 676 614 (30 June 2015: R1 224 950 and R1 560 803 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8.57%	8.16%	8.57%	8.16%
Cost inflation rate	7.22%	7.17%	7.22%	7.17%
Net effective discount rate	1.26%	0.92%	1.26%	0.92%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	14 105 372	11 670 653	14 105 372	11 670 653
Current service cost	1 560 803	1 244 950	1 560 803	1 244 950
Interest cost	1 116 149	933 835	1 116 149	933 835
Benefits paid	(871 315)	(594 544)	(871 315)	(594 544)
Actuarial losses/(gains)	480 686	850 478	480 686	850 478
	16 391 695	**14 105 372**	**16 391 695**	**14 105 372**

The history of experienced adjustments is as follows:

	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Present value of defined benefit obligation	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467	9 366 466
Deficit	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467	9 366 466
Experienced adjustments on plan liabilities	904 695	910 954	1 671 011	(1 664 673)	(991 516)	870 061

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

22. Other long-term employee benefits (continued)

	17 296 390	**15 016 326**	**13 341 664**	**7 486 195**	**8 773 951**	**10 236 527**

In accordance with the transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	One percentage point increase	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	225 600	(201 200)	225 600	(201 200)
Effect on defined benefit obligation	(69 100)	75 400	(69 100)	75 400
	156 500	**(125 800)**	**156 500**	**(125 800)**

2015	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	192 800	(171 600)	192 800	(171 600)
Effect on defined benefit obligation	4 400	(5 900)	4 400	(5 900)
	197 200	**(177 500)**	**197 200**	**(177 500)**

The municipality expects to make a contribution of R2 980 708 (2015: R2 434 719) to the defined benefit plans during the next financial year.

23. Service charges

Sale of water	208 858 377	192 674 258	208 858 377	192 674 258
Sewerage and sanitation charges	107 249 508	102 345 828	107 249 508	102 345 828
	316 107 885	**295 020 086**	**316 107 885**	**295 020 086**

24. Rental of facilities and equipment

Premises				
Rental of premises	224 745	382 206	224 745	382 206
Facilities and equipment				
Rental of facilities	864 261	2 048 059	864 261	2 048 059
	1 089 006	**2 430 265**	**1 089 006**	**2 430 265**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

25. Other income

Revaluation reserve / Assets acquired at no cost	137 368	1 993 683	137 368	810 785
Administration fees	50 892	386 794	5 700	83 100
Building plan fees	91 870	113 946	91 870	113 946
Connection fees	1 845 226	1 977 049	1 845 226	1 977 049
Other revenue	753 373	2 046 802	334 875	1 635 787
Atmospheric emissions licenses	942 856	163 600	942 856	163 600
Reconnection fees	632 143	595 481	632 143	595 481
Tender deposits	241 937	214 352	173 708	128 829
Water rates certificates	922 934	836 191	922 934	836 191
Developers fees	11 011 074	8 636 202	11 011 074	8 636 202
	16 629 673	**16 964 100**	**16 097 754**	**14 980 970**

26. Investment revenue

Interest revenue				
Short term investments	5 672 082	6 323 233	5 672 082	6 323 233
Bank	20 936 704	9 701 650	20 182 661	9 182 726
Interest charged on trade and other receivables	4 019 407	3 490 009	4 019 407	3 490 009
	30 628 193	**19 514 892**	**29 874 150**	**18 995 968**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

27. Government grants and subsidies

Operating grants				
National equitable share	303 885 000	264 864 935	303 885 000	264 864 935
Levies replacement	58 891 000	54 816 000	58 891 000	54 816 000
Other grants	135 650	1 936 728	135 650	1 936 728
	362 911 650	**321 617 663**	**362 911 650**	**321 617 663**
Capital grants				
National: MIG grant	249 316 000	265 189 000	249 316 000	265 189 000
National: FMG grant	1 325 000	1 251 468	1 325 000	1 251 468
National: DEAT grant	430 395	-	430 395	-
National: Local Government grant	84 356 635	56 295 629	84 356 635	56 295 629
National: DWAF grant	27 216 031	47 545 597	27 216 031	47 545 597
Provincial: Department of Cooperative Governance and Traditional Affairs grant	3 515 479	25 998 847	3 515 479	25 998 847
Provincial: Department of Public Works grant	1 826 000	1 041 576	1 826 000	1 041 576
Provincial: Department of Transport grant	2 446 000	2 944 356	2 446 000	2 944 356
Development Bank of Southern Africa	38 575	523 957	38 575	523 957
	370 470 115	**400 790 430**	**370 470 115**	**400 790 430**
	733 381 765	**722 408 093**	**733 381 765**	**722 408 093**

National equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The equitable share is the unconditional share of the revenue raised nationally and is bieng allocated in terms of Section 214 of Constitution (Act 108 of 1996) to the municipality by National Treasury.

Current-year receipts	353 845 000	316 768 000	353 845 000	316 768 000
Conditions met transferred to revenue: operating expenses	(353 845 000)	(316 768 000)	(353 845 000)	(316 768 000)
	-	-	-	-

Durign the current financial period an amount of R8 931 000 was withheld from the DORA allocate for equitable share. In terms of the Constitution, this unconditional grant is used primarily to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

National: MIG grant

Current-year receipts	249 316 000	265 189 000	249 316 000	265 189 000
Conditions met - transferred to revenue: Operating expenses	-	(5 029 963)	-	(5 029 963)
Conditions met - transferred to revenue: Capital expenses	(249 316 000)	(260 159 037)	(249 316 000)	(260 159 037)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

National: Finance Management Grant (FMG)

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

27. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	1 468	-	1 468
Current-year receipts	1 325 000	1 250 000	1 325 000	1 250 000
Conditions met - transferred to revenue: Operating expenses	(1 325 000)	(1 251 468)	(1 325 000)	(1 251 468)
	-	-	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.

National: Economic Affairs and Tourism Grant (DEAT)

Balance unspent at beginning of year	430 395	430 395	430 395	430 395
Conditions met - transferred to revenue: Operating expenses	(430 395)	-	(430 395)	-
	-	**430 395**	**-**	**430 395**

Conditions still to be met - remain liabilities (see note 19).

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment".

National: Local Government Grant

Balance unspent at beginning of year	5 205 998	17 262 272	5 205 998	17 262 272
Current-year receipts	101 035 000	33 433 000	101 035 000	33 433 000
Conditions met - transferred to revenue: Operating expenses	(940 000)	(727 002)	(940 000)	(727 002)
Conditions met - transferred to revenue: Capital expenses	(96 696 422)	(42 288 841)	(96 696 422)	(42 288 841)
Transfers withheld during the year	(8 604 576)	(2 473 431)	(8 604 576)	(2 473 431)
	-	**5 205 998**	**-**	**5 205 998**

Conditions still to be met - remain liabilities (see note 19).

Various grants are paid by National Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000.

National: Department of Water Affairs and Forestry Grant (DWAF)

Balance unspent at beginning of year	11 878 556	1 973 316	11 878 556	1 973 316
Current-year receipts	18 850 503	57 450 838	18 850 503	57 450 838
Conditions met - transferred to revenue: Operating expenses	(4 166 503)	-	(4 166 503)	-
Conditions met - transferred to revenue: Capital expenses	(22 912 556)	(47 545 598)	(22 912 556)	(47 545 598)
	3 650 000	**11 878 556**	**3 650 000**	**11 878 556**

Conditions still to be met - remain liabilities (see note 19).

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

27. Government grants and subsidies (continued)

Provincial: Department of Cooperative Governance and Traditional Affairs Grant (COGTA)

Balance unspent at beginning of year	3 350 163	25 076 273	3 350 163	25 076 273
Current-year receipts	5 250 000	4 310 000	5 250 000	4 310 000
Conditions met - transferred to revenue: Operating expenses	(1 092 030)	(4 001 950)	(1 092 030)	(4 001 950)
Conditions met - transferred to revenue: Capital expenses	(2 428 181)	(22 034 160)	(2 428 181)	(22 034 160)
	5 079 952	**3 350 163**	**5 079 952**	**3 350 163**

Conditions still to be met - remain liabilities (see note 19).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. They are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support.

Provincial: Department of Public Works Grant

Balance unspent at beginning of year	326 424	116 505	326 424	116 505
Current-year receipts	1 826 000	1 368 000	1 826 000	1 368 000
Conditions met - transferred to revenue: Operating expenses	(1 826 000)	(1 041 576)	(1 826 000)	(1 041 576)
Transfers withheld during the year	(326 424)	(116 505)	(326 424)	(116 505)
	-	**326 424**	**-**	**326 424**

Conditions still to be met - remain liabilities (see note 19).

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

Provincial: Department of Transport Grant (DOT)

Balance unspent at beginning of year	-	837 356	-	837 356
Current-year receipts	2 446 000	2 430 000	2 446 000	2 430 000
Conditions met - transferred to revenue: Operating expenses	(2 446 000)	(2 944 356)	(2 446 000)	(2 944 356)
Transfers withheld during the year	-	(323 000)	-	(323 000)
	-	**-**	**-**	**-**

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the municipality for the year under review.

Development Bank of Southern Africa

Balance unspent at beginning of year	38 582	562 624	38 582	562 624
Conditions met - transferred to revenue: Operating expenses	(38 582)	(524 042)	(38 582)	(524 042)
	-	**38 582**	**-**	**38 582**

Conditions still to be met - remain liabilities (see note 19).

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

27. Government grants and subsidies (continued)

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment.

Other Government: Industrial Development Corporation (IDC)

Balance unspent at beginning of year	-	45 020	-	45 020
Conditions met - transferred to revenue: Operating expenses	-	(45 020)	-	(45 020)
	-	**-**	**-**	**-**

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

Other Sponsors: NPC

Balance unspent at beginning of year	129 049	555 497	129 049	555 497
Conditions met - transferred to revenue: Operating expenses	(129 049)	(426 448)	(129 049)	(426 448)
	-	**129 049**	**-**	**129 049**

Conditions still to be met - remain liabilities (see note 19).

Other Sponsors: National Lottery

Balance unspent at beginning of year	6 650	1 472 362	6 650	1 472 362
Conditions met - transferred to revenue: Operating expenses	(6 650)	(1 465 712)	(6 650)	(1 465 712)
	-	**6 650**	**-**	**6 650**

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

28. Public contributions and donations

Hibiscus Coast Municipality	3 296 000	3 200 000	-	-
Vulamehlo Municipality	418 700	395 000	-	-
Umdoni Municipality	420 000	220 000	-	-
Umzumbe Municipality	402 800	380 000	-	-
Umuziwabantu Municipality	318 150	300 000	-	-
Ezinqoleni Municipality	106 000	100 000	-	-
	4 961 650	**4 595 000**	**-**	**-**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

29. Employee related costs

Basic	173 467 087	157 990 478	166 660 872	152 331 712
Commissions	9 147 605	7 810 364	9 147 605	7 810 364
Bonus	14 989 881	13 067 350	14 655 822	12 816 436
Medical aid - company contributions	13 164 101	11 906 019	12 970 466	11 735 441
UIF	1 431 905	1 355 504	1 408 841	1 333 376
SDL	2 388 492	2 160 258	2 348 297	2 124 027
Leave pay provision charge	4 428 773	3 518 477	4 389 525	3 430 713
Contribution long-service benefits	3 157 638	3 029 263	3 157 638	3 029 263
Other short term costs	119 708	746 879	70 550	66 586
Defined contribution plans	33 700 334	30 400 050	33 499 330	30 042 517
Travel, motor car, accommodation, subsistence and other allowances	1 615 896	1 515 140	1 579 408	1 479 930
Overtime payments	29 684 859	23 912 209	29 471 208	23 711 547
Long-service awards	741 548	2 309 605	741 548	2 309 605
Acting allowances	586 427	1 692 004	586 427	1 692 004
Car allowance	12 414 754	12 229 539	12 414 754	12 229 539
Housing benefits and allowances	1 590 300	1 301 105	1 565 654	1 278 248
	302 629 308	**274 944 244**	**294 667 945**	**267 421 308**

Remuneration of municipal manager

Annual Remuneration	1 071 667	915 394	1 071 667	915 394
Car, entertainment, housing, subsistence and other allowances	294 665	292 746	294 665	292 746
Performance Bonuses	141 380	1 221 029	141 380	122 029
Contributions to UIF, Medical and Pension Funds	247 299	226 747	247 299	226 747
Backpay	-	36 376	-	36 376
	1 755 011	**2 692 292**	**1 755 011**	**1 593 292**

Remuneration of chief finance officer

Annual Remuneration	660 926	571 446	660 926	571 446
Car, entertainment, housing, subsistence and other allowances	460 543	462 926	460 543	462 926
Performance Bonuses	106 875	70 578	106 875	70 578
Contributions to UIF, Medical and Pension Funds	28 221	24 602	28 221	24 602
Backpay	-	25 206	-	25 206
	1 256 565	**1 154 758**	**1 256 565**	**1 154 758**

Corporate and human resources (corporate services)

Annual Remuneration	548 236	488 530	548 236	488 530
Car, entertainment, housing, subsistence and other allowances	581 878	583 136	581 878	583 136
Performance Bonuses	96 187	80 660	96 187	80 660
Contributions to UIF, Medical and Pension Funds	28 221	24 602	28 221	24 602
Backpay	-	25 206	-	25 206
	1 254 522	**1 202 134**	**1 254 522**	**1 202 134**

Remuneration of general manager: Infrastructure and Economic Development

Annual Remuneration	848 318	782 655	848 318	782 655

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
29. Employee related costs (continued)				
Car, entertainment, housing, subsistence and other allowances	304 156	307 040	304 156	307 040
Performance Bonuses	74 812	60 495	74 812	60 495
Contributions to UIF, Medical and Pension Funds	13 473	12 946	13 473	12 946
Backpay	-	25 206	-	25 206
	1 240 759	**1 188 342**	**1 240 759**	**1 188 342**
Remuneration of general manager: Water Services				
Annual Remuneration	555 011	549 045	555 011	549 045
Car, entertainment, housing, subsistence and other allowances	465 169	461 140	465 169	461 140
Performance Bonuses	85 500	27 985	85 500	27 985
Contributions to UIF, Medical and Pension Funds	123 342	113 990	123 342	113 990
Backpay	-	27 985	-	27 985
	1 229 022	**1 180 145**	**1 229 022**	**1 180 145**
Remuneration of chief executive officer (Ugu South Coast Tourism)				
Annual Remuneration	930 000	847 920	-	-
Performance Bonuses	118 709	104 000	-	-
Contributions to UIF, Medical and Pension Funds	12 272	11 304	-	-
Cellphone Allowance	18 786	17 806	-	-
	1 079 767	**981 030**	**-**	**-**
Remuneration of general manager: Finance and Human Resources (Ugu South Coast Tourism)				
Annual Remuneration	600 000	476 955	-	-
Performance Bonuses	66 774	56 400	-	-
Contributions to UIF, Medical and Pension Funds	8 231	6 897	-	-
Cellphone Allowance	17 702	15 263	-	-
	692 707	**555 515**	**-**	**-**
Remuneration of general manager: Development (Ugu South Coast Tourism)				
Annual Remuneration	-	59 248	-	-
Contributions to UIF, Medical and Pension Funds	-	1 174	-	-
Leave pay	-	48 371	-	-
Cellphone Allowance	-	2 544	-	-
	-	**111 337**	**-**	**-**
Remuneration of chief executive officer (South Coast Development Agency)				
Annual Remuneration	-	589 489	-	-
Car, entertainment, housing, subsistence and other allowances	-	135 684	-	-
Contributions to UIF, Medical and Pension Funds	-	100 024	-	-
Leave pay	-	40 026	-	-
	-	**865 223**	**-**	**-**
Remuneration of acting chief executive officer (South Coast Development Agency)				

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
29. Employee related costs (continued)				
Annual Remuneration	848 689	-	-	-
Contributions to UIF, Medical and Pension Funds	8 267	-	-	-
	856 956	**-**	**-**	**-**
Remuneration of general manager: Finance and Human Resources (South Coast Development Agency)				
Annual Remuneration	264 486	489 742	-	-
Car, entertainment, housing, subsistence and other allowances	75 481	136 076	-	-
Contributions to UIF, Medical and Pension Funds	21 707	54 472	-	-
Leave pay	96 021	-	-	-
	457 695	**680 290**	**-**	**-**
Remuneration of general manager: Projects (South Coast Development Agency)				
Annual Remuneration	257 241	477 819	-	-
Car, entertainment, housing, subsistence and other allowances	80 614	154 122	-	-
Contributions to UIF, Medical and Pension Funds	24 016	49 805	-	-
Leave pay	44 412	-	-	-
	406 283	**681 746**	**-**	**-**
30. Remuneration of councillors				
Mayor	343 056	343 056	343 056	343 056
Deputy Mayor	261 568	261 568	261 568	261 568
Executive committee members	1 915 698	1 848 352	1 915 698	1 848 352
Speaker	258 917	258 918	258 917	258 918
Councillors / board members	1 930 714	1 849 646	1 344 223	1 393 608
Company contributions to UIF, medical, and pension funds	352 460	505 583	352 460	505 583
Other allowances (Cellphone, housing, transport etc.)	4 481 335	4 078 836	4 481 335	4 078 836
	9 543 748	**9 145 959**	**8 957 257**	**8 689 921**

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

30. Remuneration of councillors (continued)

In-kind benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official council transportation when engaged in official duties.

The following additional personal support is provided by the municipality:

(i)The Mayor has one full-time bodyguard and one full-time driver.

(ii)The Deputy Mayor has one full-time aide, fullfilling various personal duties.

(iii) The Speaker has one full-time driver.

For services as directors				
Ugu South Coast Tourism				
EJ Crutchfield	41 500	37 350	-	-
HR Kelly	20 750	24 900	-	-
PT Jeffreys	14 525	18 675	-	-
J Harris	18 675	20 750	-	-
ZP Ngubane	14 525	20 750	-	-
C Davenhill	18 675	14 525	-	-
WVMzulwini	20 750	18 675	-	-
South Coast Development Agency				
S Madikiza	-	44 700	-	-
SJ Nzimande	48 000	38 425	-	-
SD Dlomo	98 965	44 687	-	-
EJ Crutchfield	-	70 146	-	-
C van der Slikke	-	45 500	-	-
N Zamisa	-	56 954	-	-
VK Naidoo	57 522	-	-	-
ZP Mthuli	39 406	-	-	-
HT Shezi	52 973	-	-	-
LG Shezi	62 210	-	-	-
EM Zungu	43 530	-	-	-
B Zulu	34 486	-	-	-
	586 492	**456 037**	**-**	**-**

In terms of Section 124(1) of the Municipal Finance Act (Act No. 56 of 2003), the accounting officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

31. Depreciation and amortisation

Property, plant and equipment	192 656 652	192 766 431	192 507 944	192 619 441
Intangible assets	2 451 340	3 156 055	2 441 660	3 145 870
	195 107 992	**195 922 486**	**194 949 604**	**195 765 311**

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
32. Impairment of assets				
Impairments				
Property, plant and equipment	420 208	76 295 248	420 208	76 295 248
Trade and other receivables	96 672 979	85 629 566	96 672 979	85 629 566
	97 093 187	**161 924 814**	**97 093 187**	**161 924 814**
33. Finance costs				
Non-current borrowings	12 408 084	12 247 515	12 408 084	12 247 515
Other interest paid	1 148 032	565 214	1 148 000	565 192
	13 556 116	**12 812 729**	**13 556 084**	**12 812 707**
34. Debt impairment				
Bad debts written off	196 710	17 799	172 017	-
35. Bulk purchases				
Water	66 091 136	52 626 127	66 091 136	52 626 127

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk water is purchased from the Umgeni Water Board and eThekwini Municipality.

36. Contracted services				
Specialist Services	22 764 152	19 927 427	22 704 656	19 827 306
Other Contractors	44 232	40 579	-	-
	22 808 384	**19 968 006**	**22 704 656**	**19 827 306**
Contracted services are as follows:				
Contractors				
Cleaning services	2 234 888	1 956 632	2 234 888	1 956 632
Pest control	52 745	179 548	52 745	79 427
Professional services				
Chemistry	3 514 786	3 726 602	3 514 786	3 726 602
Dam safety	1 681 554	353 654	1 681 554	353 654
Engineering services	1 545 615	1 066 057	1 545 615	1 066 057
Other professional services	2 348 679	2 055 553	2 285 686	2 055 553
Security services				
Alarm monitoring	747	4 039	747	4 039
Cash banking	133 991	148 999	133 991	148 999
General security	11 291 507	10 473 316	11 254 675	10 436 343
	22 804 512	**19 964 400**	**22 704 687**	**19 827 306**
37. Grants and subsidies paid				
Other subsidies				
Low income subsidy	13 063 669	6 207 596	29 909 605	22 251 338
Other grants and subsidy	-	54 195	-	54 195
Other	7 263 389	23 216 449	7 263 389	23 216 449
	20 327 058	**29 478 240**	**37 172 994**	**45 521 982**

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

37. Grants and subsidies paid (continued)

Conditional grants paid is in respect of projects undertaken by municipalities within the municipality's area of jurisdiction and funded by Ugu District Municipality.

Community projects consist primarily of ventilated pit latrines constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.

The low income subsidy is in respect of providing basic service levels to indigent households.

38. General expenses

Accounting fees	75 000	1 400	-	-
Advertising	2 513 928	1 984 251	110 423	126 222
Auditors remuneration	3 765 919	2 976 641	3 090 207	2 384 650
Bank charges	623 799	595 300	558 333	560 932
Cleaning	373 024	377 323	368 808	377 323
Commission paid	1 554 467	1 482 122	1 378 895	1 223 803
Consulting and professional fees	1 172 253	810 119	1 172 253	761 984
Consumables	207 909	90 438	207 909	90 438
Loose/small tools	436 490	555 375	436 490	555 375
Kwanaloga subscriptions	2 919 853	1 847 144	2 919 853	1 847 144
Accomodation, seminars and travelling	619 375	469 675	619 375	469 675
Insurance	1 631 848	1 551 571	1 554 945	1 487 131
Marketing	2 242 450	187 991	1 992 328	28 013
Magazines, books and periodicals	8 378	3 598	2 483	148
Materials	13 159 483	3 753 708	13 060 045	3 663 500
Drought relief expense (Salt Water)	4 218 048	1 000	4 204 048	-
Fuel and oil	6 112 625	11 601 355	6 112 625	11 601 355
Postage and courier	1 559 517	1 641 387	1 558 349	1 639 821
Printing and stationery	962 050	1 162 017	800 962	1 074 418
Research and development costs	624 734	32 800	624 734	32 800
Subscriptions and membership fees	39 910	81 319	30 110	27 703
Telephone and fax	4 245 068	3 199 043	3 912 524	2 779 683
Transport and freight	1 634 341	12 545 138	1 634 341	12 545 138
Training	2 684 170	2 693 525	2 612 205	2 608 989
Travel - local	198 932	396 116	-	-
Electricity	55 948 605	49 382 977	55 948 605	49 382 977
Uniforms and protective clothing	314 158	902 386	286 873	861 310
Other general expenses	9 684 403	3 498 442	8 939 681	1 584 629
Licenses	6 866 491	5 262 081	6 774 463	5 140 113
Vehicle tracking	1 373 343	355 082	1 117 266	89 269
Events and programmes	3 601 070	3 739 315	227 272	1 004 459
Gardening services	405 183	1 194 728	350 432	1 144 161
Public participation	544 736	1 162 244	544 736	1 162 244
Sports and recreation	320 136	1 624 053	131 459	1 351 268
Refreshments	277 119	167 741	277 119	167 741
Workmen's compensation insurance	1 390 225	1 342 380	1 390 225	1 342 380
Property transfers	1 336 389	907 800	1 336 389	907 800
	135 645 429	**119 579 585**	**126 286 765**	**110 024 596**

39. Fair value adjustments

Investment property (Fair value model)	96 749	(4 200 000)	96 749	(4 200 000)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

40. Auditors' remuneration

Fees	3 765 919	2 976 641	3 090 207	2 384 650

41. Cash generated from operations

Surplus	174 661 724	125 947 266	170 583 601	121 467 198
Adjustments for:				
Depreciation and amortisation	195 107 992	195 922 486	194 949 604	195 765 311
Loss on sale of assets and liabilities	(716 192)	(862 083)	(646 992)	(883 418)
Assets acquired at no cost	(137 368)	(810 785)	(137 368)	(810 785)
Fair value adjustments	(96 749)	4 200 000	(96 749)	4 200 000
Impairment deficit	97 093 187	161 924 814	97 093 187	161 924 814
Debt impairment	196 710	17 799	172 017	-
Movements in operating lease assets and accruals	15 820	43 665	(12 937)	19 692
Movements in retirement benefit assets and liabilities	321 680	1 725 968	321 680	1 725 968
Movements in provisions - Current	5 446 839	3 869 295	5 395 752	3 362 106
Movements in provisions - Non-current	776 045	2 157 948	776 045	2 157 948
Changes in working capital:				
Inventories	2 902 413	(6 357 053)	2 902 413	(6 357 053)
Receivables from exchange transactions	(59 959 024)	(42 864 457)	(60 483 851)	(50 229 951)
Other receivables from non-exchange transactions	23 829 039	(37 514 728)	23 389 105	(37 058 794)
Payables from exchange transactions	23 992 702	46 796 640	22 932 638	44 646 271
VAT	(36 616 032)	6 568 035	(37 316 158)	6 924 796
Unspent conditional grants and receipts	(12 635 897)	(26 967 272)	(12 635 897)	(26 967 272)
Consumer deposits	572 602	309 343	572 602	309 343
	414 755 491	**434 106 881**	**407 758 692**	**420 196 174**

42. Aquisition of Municipal Entity

On 1 July 2014, Ugu District Municipality acquired 100% of the net assets of South Coast Development Agency NPC

Property, plant and equipment	-	197 994	-	-
Intangible assets	-	27 888	-	-
Receivables from exchange transactions	-	222 076	-	-
Bank and cash	-	1 729 684	-	-
Payables from exchange transactions	-	(818 153)	-	-
Provisions	-	(170 953)	-	-
Operating lease liability	-	(5 538)	-	-
Net assets acquired	-	1 182 998	-	-
Purchase consideration	-	100	-	-
	-	**1 183 098**	**-**	**-**

Cash balance of Municipal Entity	-	1 729 684	-	-
Purchase consideration sattled in cash	-	(100)	-	-
Cash flow on acquisition of municipal entity	**-**	**1 729 584**	**-**	**-**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2016

Financial assets

In accordance with GRAP 104.13 for the financial assets for the municipality are classified as follows:

	At fair value	At amortised cost	Total
Long-term receivables	-	-	-
- Sundry loans	-	251 734	251 734
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	2 475 335	2 475 335
- Water	-	61 098 682	61 098 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 786 685	15 786 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	61 045 657	-	61 045 657
- Cash floats and advances	11 692	-	11 692
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	111 242 101	**288 677 275**	**399 919 376**

In accordance with GRAP 104.13 for the financial liabilities for the municipality are classified as follows:

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
Trade and other payables from exchange transactions	-	177 147 533	177 147 533
Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**322 700 771**	**325 006 916**

Economic entity - 2015

Financial assets

In accordance with GRAP 104.13 for the financial assets for the municipality are classified as follows:

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Relocation costs	-	2 661	2 661
- Sundry loans	-	305 361	305 361
Receivables from Exchange Transactions	-	-	-

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
43. Financial instruments disclosure (continued)				
- Sewerage		-	50 183 184	50 183 184
- Other trade receivables		-	1 734 518	1 734 518
- Water		-	110 186 253	110 186 253
- Water rates		-	18 583 628	18 583 628
Receivables from Non-Exchange Transactions		-	-	-
- Payments made in advance		-	4 353 985	4 353 985
- Government subsidy claims		-	11 562 424	11 562 424
- Insurance claims		-	122 367	122 367
- Municipal entities		-	50 979	50 979
- Sundry deposits		-	808 432	808 432
- Sundry debtors		-	342 497 865	342 497 865
Cash and Cash Equivalents		-	-	-
- Call deposits	36 344 664		-	36 344 664
- Notice deposits		-	185 734 892	185 734 892
- Bank balances	15 855 230		-	15 855 230
- Cash floats and advances	4 910		-	4 910
Current-portion of Long-term Receivables		-	-	-
- Relocation costs		-	9 567	9 567
- Sundry loans		-	3 600	3 600
	52 204 804		**726 139 716**	**778 344 520**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	163 440 870	163 440 870
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	156 441 249	156 441 249
- Bank overdraft	5 017 457	-	5 017 457
- Finance lease liability	-	3 063 785	3 063 785
	5 017 457	**322 945 904**	**327 963 361**

Controlling entity - 2016

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	251 734	251 734
Receivables from Exchnage Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 826 993	1 826 993
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
-Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 808 912	15 808 912
Cash and Cash Equivalets	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	41 248 565	-	41 248 565
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
43. Financial instruments disclosure (continued)				
- Sundry loans		-	11 594	11 594
		91 438 284	**288 042 160**	**379 480 444**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	172 837 112	172 837 112
- Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**318 390 350**	**320 696 495**

Controlling entity - 2015

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Relocation loans	-	2 661	2 661
- Sundry loans	-	305 361	305 361
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	50 183 184	50 183 184
- Other trade receivables	-	1 734 518	1 734 518
- Water	-	110 186 253	110 186 253
- Water rates	-	18 583 628	18 583 628
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	4 353 985	4 353 985
- Government subsidy claims	-	11 562 424	11 562 424
- Insurance claims	-	122 367	122 367
- Municipal entities	-	50 979	50 979
- Sundry deposits	-	808 432	808 432
- Sundry debtors	-	342 497 865	342 497 865
Cash and Cash Equivalents	-	-	-
- Call deposits	36 344 664	-	36 344 664
- Notice deposits	-	185 734 892	185 734 892
- Bank balances	15 855 230	-	15 855 230
- Cash floats and advances	4 910	-	4 910
Current-portion of Long-term Receivables	-	-	-
- Relocation costs	-	9 567	9 567
- Sundry loans	-	3 600	3 600
	52 204 804	**726 139 716**	**778 344 520**

Financial liabilities

	At fair value	At amortised cost	Total
- Annuity loans	-	163 440 870	163 440 870
- Trade and other payables from exchange transactions	-	153 464 565	153 464 565
- Finance lease liability	-	3 063 785	3 063 785
- Bank overdraft	5 017 457	-	5 017 457
	5 017 457	**319 969 220**	**324 986 677**

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value:

Cash and short-term investments:

The carrying amount approximates the fair value because of the short maturity of these instruments.

Long-term investments

The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The management of the municipality is of the opinion that the carrying value of trade and other receivables recorded at amortised cost in the annual financial statements approximate their fair values. The fair value of trade receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other financial assets and liabilities

The fair value of other financial assets and financial liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term liabilities

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No financial instruments of the municipality were reclassified during the year

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in note 14, bank, cash and cash equivalents and equity, comprising accumulated Surplus as disclosed and the statement of changes in net assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

The gearing ratio at year-end was as follows:				
Debt	145 553 238	166 510 655	145 553 238	166 510 655
Cash and cash equivalents	(276 260 878)	(246 549 435)	(256 456 862)	(232 922 238)
	(130 707 640)	**(80 038 780)**	**(110 903 624)**	**(66 411 583)**
Equity	4 048 072 944	3 833 601 434	4 033 935 766	3 821 205 116
Net debt to equity ratio	(3,23)%	(2,09)%	(2,75)%	(1,74)%

Debt is defined as long-term and short-term liabilities, as detailed in Note 14.

Equity includes all funds and reserves of the municipality, disclosed as net assets in the statement of financial performance and net debt as described above

Financial risk management objectives

The accounting officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the Grap Standards mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these annual financial statements.

Significant risks

It is the policy of the municipality to disclose information that enables the user of its annual financial

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in financial instruments.

1. Credit risk
2. Liquidity risk; and
3. Market risk

Risks and exposures are disclosed as follows:

Market risk

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its nonderivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Economic Entity:

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	186 718 774	-	-	-	-	186 718 774
Variable interest rate instruments	18 915 505	-	-	-	-	18 915 505
Fixed interest rate instruments	3 063 785	-	-	-	-	3 063 785
	208 698 064	**-**	**-**	**-**	**-**	**208 698 064**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	185 715 629	-	-	-	-	185 715 629
Variable interest rate instruments	18 915 505	-	-	-	-	18 915 505
Fixed interest rate instruments	3 063 785	-	-	-	-	3 063 785
	207 694 919	**-**	**-**	**-**	**-**	**207 694 919**

Controlling Entity

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

Non-interest bearing	185 715 629	-	-	-	-	185 715 629
Variable interest rate instruments	18 915 505	-	-	-	-	18 915 505
Fixed interest rate instruments	3 063 785	-	-	-	-	3 063 785
	207 694 919	**-**	**-**	**-**	**-**	**207 694 919**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	140 377 050	-	-	-	-	140 377 050
Variable interest rate instruments	3 281 879	-	-	-	-	3 281 879
Fixed interest rate instruments	13 014 267	-	-	-	-	13 014 267
	156 673 196	**-**	**-**	**-**	**-**	**156 673 196**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Economic Entity:

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	154 045 729	-	-	-	-	154 045 729
Variable interest rate instruments	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	170 633 398	**-**	**-**	**-**	**-**	**170 633 398**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	224 435 449	-	-	-	-	224 435 449
Variable interest rate instruments	160 666 976	-	-	-	-	160 666 976
Fixed interest rate instruments	732 428	-	-	-	-	732 428
	385 834 853	**-**	**-**	**-**	**-**	**385 834 853**

Controlling Entity:

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	154 045 729	-	-	-	-	154 045 729
Variable interest rate instruments	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	170 633 398	**-**	**-**	**-**	**-**	**170 633 398**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Non-interest bearing	224 435 449	-	-	-	-	224 435 449
Variable interest rate instruments	160 666 976	-	-	-	-	160 666 976
Fixed interest rate instruments	732 428	-	-	-	-	732 428
	385 834 853	**-**	**-**	**-**	**-**	**385 834 853**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

Effective interest and repricing analysis

In accordance with Grap 104 (financial instruments) the following tables indicate the average effective interest rates of Income earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

Economic Entity

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	185 734 892	-	-	-	-	185 734 892
Call deposits	36 344 664	-	-	-	-	36 344 664
Bank balances and cash	30 646 700	-	-	-	-	30 646 700
	252 726 256	**-**	**-**	**-**	**-**	**252 726 256**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	708 687	-	-	-	-	708 687
Call deposits	8 292 741	-	-	-	-	8 292 741
Bank balances and cash	166 001 432	-	-	-	-	166 001 432
	175 002 860	**-**	**-**	**-**	**-**	**175 002 860**

Controlling Entity

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	185 734 892	-	-	-	-	185 734 892
Call deposits	36 344 664	-	-	-	-	36 344 664
Bank balances and cash	10 842	-	-	-	-	10 842
	222 090 398	-	-	-	-	222 090 398
	222 090 398	**-**	**-**	**-**	**-**	**222 090 398**

2015	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	708 687	-	-	-	-	708 687
Call deposits	8 292 741	-	-	-	-	8 292 741
Bank balances and cash	152 374 235	-	-	-	-	152 374 235
	161 375 663	**-**	**-**	**-**	**-**	**161 375 663**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

Investments/bank, cash and cash equivalents

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposed to any significant credit risk.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of council's credit control and debt collection policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

1. The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

43. Financial instruments disclosure (continued)

2. A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;

3. The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

4. The requirement of a deposit for new service connections, serving as guarantee;

5. Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term receivables and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and Location				
Ukusa River Estate Development	-	1 273 600	-	1 273 600
Harry Gwala District Municipality	1 364 670	-	1 364 670	-
Ithala Developments Finance Corporation	-	734 982	-	734 982
Murchison Hospital	1 719 169	-	1 719 169	-
SA Police (Jail)	1 356 171	-	1 356 171	-
Smithchem (Pty) Ltd	-	978 989	-	978 989
Umzumbe Glades Body Corporate	954 176	-	954 176	-
Blue Marlin Hotel	941 246	950 284	941 246	950 284
Lourens De Jager Coetzer	-	680 477	-	680 477
	6 335 432	**4 618 332**	**6 335 432**	**4 618 332**

Except as detailed in the following table, the carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Investments	-	-	200	200
Long-term receivables	303 589	321 188	303 589	321 188
Consumer debtors	325 578 422	265 802 043	296 373 620	264 231 971

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015
43. Financial instruments disclosure (continued)				
Other debtors	27 131 383	1 660 186	19 090 744	1 204 252
Bank, cash and cash equivalents	278 567 023	272 701 624	256 491 556	259 074 427
	631 580 417	**540 485 041**	**572 259 709**	**524 832 038**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer debtors				
Household	77,00 %	75,00 %	77,00 %	75,00 %
Industrial/Commercial	18,00 %	17,00 %	18,00 %	17,00 %
National and Provincial Government	4,00 %	5,00 %	4,00 %	5,00 %
Other debtors	1,00 %	3,00 %	1,00 %	3,00 %
	100,00 %	**100,00 %**	**100,00 %**	**100,00 %**

Bank and cash balances				
ABSA Bank	111 228 408	60 777 571	91 468 011	47 164 171
First National Bank of SA Limited	65 018 578	45 018 266	65 018 578	45 018 266
Nedbank	30 000 000	30 000 000	30 000 000	30 000 000
Investec Bank	40 000 000	65 000 000	40 000 000	65 000 000
Ithala Bank	-	732 000	-	732 000
Standard Bank	30 000 000	45 000 000	30 000 000	45 000 000
Cash equivalents	13 892	18 707	4 967	4 910
	276 260 878	**246 546 544**	**256 491 556**	**232 919 347**

44. Multi-employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up of the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Defined benefits schemes

Retirement fund

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

44. Multi-employer retirement benefit information (continued)

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,5 (31 March 2011: shortfall of R382,3) million, with a funding level of 82,0%(31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 15,85% (Total employer contribution of 34,22%) and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 15,85% with effect from 1 July 2012 for an indefinite period of time. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% of pensionable salaries to meet the shortfall within the 8 year period provided for in the scheme. It was expected that the deficit will be fully funded by 2020.

This surcharge is payable until 31 March 2020. It is necessary that the basic employer contribution be increased by 3,63% to 21,63% and the surcharge be increased to 9,5% and extended by a further 8 years to 31 March 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for an indefinite period of time.

It is intended that the fund merge with the retirement fund in the near future.

Defined contributions schemes

Municipal councillors pension fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2012.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the actuaries, the fund was in a sound financial condition as at 30 June 2014.

Provident fund

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

44. Multi-employer retirement benefit information (continued)

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,4 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member's contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	377 699 259	474 702 180	377 699 259	474 702 180
• Other	78 628 199	7 308 871	78 628 199	7 308 871
	456 327 458	**482 011 051**	**456 327 458**	**482 011 051**
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	98 642 426	60 641 465	98 642 426	60 641 465
• Other	-	6 050 023	-	6 050 023
	98 642 426	**66 691 488**	**98 642 426**	**66 691 488**
Total capital commitments				
Already contracted for but not provided for	456 327 458	482 011 051	456 327 458	482 011 051
Not yet contracted for and authorised by accounting officer	98 642 426	66 691 488	98 642 426	66 691 488
	554 969 884	**548 702 539**	**554 969 884**	**548 702 539**

Authorised operational expenditure

Already contracted for but not provided for				
• Ugu South Coast Tourism - Operating expenditure	3 346 225	4 187 216	-	-
• South Coast Development Agency - Operating expenses	2 036 207	34 374	-	-
	5 382 432	**4 221 590**	**-**	**-**
Total operational commitments				
Already contracted for but not provided for	5 382 432	4 221 590	-	-

Total commitments

Total commitments				
Authorised capital expenditure	554 969 884	548 702 539	554 969 884	548 702 539
Authorised operational expenditure	5 382 432	4 221 590	-	-
	560 352 316	**552 924 129**	**554 969 884**	**548 702 539**

46. Prior period errors

Corrections were made during the previous financial years. Details of the corrections are described below:

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

46. Prior period errors (continued)

Property, Plant and Equipment	Year	Land and Buildings	Movables	Infrastructure	Total
Reported Amount	2014/15	148 278 443	41 229 274	3 400 410 038	3 589 917 755
Correction of error	2014/15	303 952	361 400	238 006 193	238 671 545
Restated Closing Balance		**148 582 395**	**41 590 674**	**3 638 416 231**	**3 828 589 300**

The correction in the prior year error relates the infrastructure assets that were found on the ground that were never brought to the FAR (Fixed Asset Register).

Payables from exchange transactions (Workmans compensation accrual)				
Reported Amount	-	149 683 332	-	149 683 332
Correction of error	-	3 781 233	-	3 781 233
Restated Closing Balance	**-**	**153 464 565**	**-**	**153 464 565**

During the financial period, it was noted that workmans compansation fund has been for financial period 2014/15 was only paid during 2015/16 financial period and there was no accrual for the balance in the 2014/15.

Statement of financial position				
Property, plant and equipment	-	238 671 545	-	238 671 545
Payables from exchange transactions (Sundry accruals)	-	(3 781 233)	-	(3 781 233)
Opening Accumulated Surplus or Deficit	-	(260 398 357)	-	(260 398 357)
	-	**(25 508 045)**	**-**	**(25 508 045)**
Statement of Financial Performance				
Depreciation expense	-	24 186 915	-	24 186 915
General expenses (Workmans compensation)	-	1 321 130	-	1 321 130
	-	**25 508 045**	**-**	**25 508 045**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

47. Contingent assets and contigent liabilities

Guarantees:				
i) Hibiscus Coast Municipality: The Municipality issued a bank guarantee in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the Municipality.	10 000	10 000	10 000	10 000
(ii) Eskom: The Municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity accounts of the Municipality.	2 852 000	2 852 000	2 852 000	2 852 000
(iii)South African Post office:The municipality issued a bank guarantee in favour of South African Post office.	200 000	200 000	200 000	200 000
	3 062 000	**3 062 000**	**3 062 000**	**3 062 000**

Court proceedings:				
(i) Alleged Breach of Contract: Council has been involved in a court case with Thumbprint Events Management, where it is alleged that the Municipality has unilaterally repudiated a contract. Applicant is claiming unpaid invoices and damages in terms of what would have been due to them had the contract not been repudiated by the Municipality. The Municipality is defending this action and awaits a court date. The total claim is valued at R875 258. 46 plus 30% of envisaged gate takings for two events and 25% of sale of floor space for two events (excluding VAT). The Municipality is currently negotiating a settlement with the Applicant and the matter is expected to be finalised by 30 June 2016.	875 248	875 248	875 248	875 248
(ii)The Municipality is enjoined with Umzumbe Municipality in litigation with MP & RV Conco regarding alleged illegal encroachment by the Municipalities. The applicants are wanting rehabilitation of their land. Costs are not yet determinable.	-	-	-	-
(iii) The parent municipality of the entity mandated consultants to assist in regularising their Value Added Taxation affairs. Upon conclusion of the said assignment, an ancillary finding was communicated to the parent, by the consultants, in that the grant funding charged out by the entity should indeed be Vatable. The entity has never levied Value Added Taxation on grants. The directors do not agree with the opinion of the consultants and have initiated steps to obtain a direct ruling from the South African Revenue Services. In any case, there is no loss to the fiscus as any possible effects are inter-governmental with all output directly corresponding with equal and opposite inputs on the governmental partner. Furthermore, the entity has been audited directly and specifically by the South African Revenue Services on it`s grants and no findings were made.	-	-	-	-

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

48. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Ms EJ Crutchfield (South Coast Development Agency Acting CEO)	Refer to section 57 employee costs (note 30)
CEO of Ugu South Coast Tourism	Refer to section 57 employee costs (note 30)
Directors of Municipal Entities	Refer to note for director's remuneration (note 30)
Handerson (Ugu Councillor)	Barry Botha & Breytenbach Inc.
Ms V Tsako (General Manager: Corporate Services)	Section 57 Ugu District Municipality employee. Refer to note 29.
Ms LH Cele (General Manager: Water Services)	Section 57 Ugu District Municipality employee. Refer to note 29.
Ms SP Ngilande (Genaral Manager: Budget and Treasury Office)	Section 57 Ugu District Municipality employee. Refer to note 29.
Ms Z Mbonane (General Manager: Infrastructure & Economic Development)	Section 57 Ugu District Municipality employee. Refer to note 29.
Mr SZ Khuzwayo (Senior Manager: Environmental Health and Infrastructure & Economic Development)	Section 56 Ugu District Municipality employee.
Mr FF Zama (Senior Manager: Mayoralty and Communication)	Section 56 Ugu District Municipality employee.
Mr J Van Der Walt (Senior Manager: Water Services Authority)	Section 56 Ugu District Municipality employee.
Mr PS Watson (Senior Manager: Water Services Operations)	Section 56 Ugu District Municipality employee.
Mr CM Mqoboli (Senior Manager: Project Management Unit)	Section 56 Ugu District Municipality employee.
Mr VO Mazibuko (Senior Manager: Human Resources)	Section 56 Ugu District Municipality employee.
Ms FW Mbili (Senior Manager: Strategic and Shared Services)	Section 56 Ugu District Municipality employee.

Related party transactions

Purchases from (sales to) related parties

Barry Botha & Breytenbach Inc.	-	105 550

49. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors.

50. Going concern

The 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.

51. Unauthorised expenditure

Opening balance	310 376 720	36 582 590	310 376 720	36 582 590
Unauthorised expenditure for the year	113 949 531	273 794 130	113 949 531	273 794 130
Unauthorised expenditure written-off during the year	(310 376 720)	-	(310 376 720)	-
	113 949 531	**310 376 720**	**113 949 531**	**310 376 720**

Incident

Budgeted amounts exceeded:

Disciplinary steps/ criminal proceedings: Investigations are being conducted by the internal audit.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

51. Unauthorised expenditure (continued)

Cash Line Items				
Personnel (Employee costs)	-	8 200 248	-	8 200 248
Repairs and maintenance	-	12 932 246	-	12 932 246
Lease rentals on operating lease	1 100 086	-	1 100 086	-
Non-Cash Line Items				
Depreciation and amortisation	75 598 213	107 555 977	75 598 213	107 555 977
Impairment loss	37 079 215	140 905 659	37 079 215	140 905 659
Fair value adjustment	-	4 200 000	-	4 200 000
Bad debts written-off	172 017	-	172 017	-
	113 949 531	**273 794 130**	**113 949 531**	**273 794 130**

52. Fruitless and wasteful expenditure

Openning balance	3 212 403	2 690 035	3 212 403	2 690 035
Obtained from business combination	-	54 228	-	-
Fruitless and wasteful expenditure - Interest on late payment	40 417	522 802	35 228	522 368
Fruitless and wasteful expenditure - Legal fees	37 276	-	37 276	-
Fruitless and wasteful expenditure - Interest on legal fees	340 958	-	340 958	-
Fruitless and wasteful expenditure - Penalties	45 773	-	45 773	-
Fruitless and wasteful expenditure - Additional collection fee	2 200	-	-	-
Fruitless and wasteful expenditure - SARS Interest	680 145	-	680 145	-
Fruitless and wasteful expenditure - Late cancellations	980	-	-	-
Fruitless and wasteful expenditure written-off	(3 218 544)	(54 662)	(3 212 403)	-
	1 141 608	**3 212 403**	**1 139 380**	**3 212 403**

Disciplinary steps/criminal proceedings:

Investigations are being conducted by internal audit on the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful.

53. Irregular expenditure

Opening balance	153 582 391	242 919 032	151 888 760	242 919 032
Add: Irregular Expenditure - assumed from business combination	-	2 428 582	-	-
Add: Irregular Expenditure - current year	6 745 183	42 750 890	6 707 799	40 350 455
Less: Amounts written-off	(17 804 356)	(134 516 113)	(16 124 725)	(131 380 727)
	142 523 218	**153 582 391**	**142 471 834**	**151 888 760**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

53. Irregular expenditure (continued)

Details of irregular expenditure – current year - Economic entity

	Disciplinary steps taken/criminal proceedings	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writting-off the "Irregular Expenditure".	4 540 143
Expenditure according to the provisions of Regulation 36 of the Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	2 205 040
Non-adherence to Supply Chain process	No disciplinary steps were taken	37 384
		6 782 567

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

53. Irregular expenditure (continued)

Details of irregular expenditure – current year - Controling entity

	Disciplinary steps taken/criminal proceedings	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writting-off the "Irregular Expenditure".	4 540 143
Expenditure according to the provisions of Regulation 36 of the Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	2 167 656
		6 707 799

Department	**Date**	**Successful tenderer**	**Reason**	**Economic Entity**	**Controlling Entity**
Municipal Manager's Office	24 May 2016	Wild Ginger Creative Consulting (Pty) Ltd	Additional copies to be made for the council meeting	37 000	37 000
Corporate Services	19 May 2016	Lootch Security Services	Security at Albersville from January to June 2016	106 009	106 009
Water Services	28 January 2016	Uvo Roads Surfacing and Maintenence	Invalid Tax Clearance Certificate	75 670	75 670
Water Services	28 January 2016	Wetspec CC	Invalid Tax Clearance Certificate	781 526	781 526
Water Services	30 June 2016	One Up Pumps and Refurbishments	Invalid Tax Clearance Certificate	1 167 451	1 167 451
South Coast Development Agency	30 June 2016			37 384	-
				2 205 040	**2 167 656**

Furthermore, the municipality has made the following awards to persons in service of Government institutions contrary to the provisions of paragraphs 44 of the Municipal Supply Chain Management Regulations:

Company Name	**Related Person**	**Municipal Capacity**	**Purchases for the year**	**Purchases for the year**
Eaton Electronic South Africa (Pty) Ltd	FC Cambell Jr	South African Weather Service	-	21 314
Arch Actuarial Cons	C Wiess	Human Science Research Council	9 120	8 436
Business Zone 628 CC	NN Kekana	Gauteng Film Commission	995 064	453 281
Macsteel Fluid Control	DD Mokgatle	State Diamond Trader	-	129 760
Minolco (Pty) Ltd	K Makhaye	State Information Technology Agency	107 643	86 809

Notes to the Consolidated Financial Statements

			Economic entity		Controlling entity	
Figures in Rand			2016	2015	2016	2015

53. Irregular expenditure (continued)

Nashua Communications	D Nchoba	NAT: Arts & Culture	645 918	1 063 205
Musakhe Trading	NP Chiliza	Kzn: Education	-	150 000
WCO Africa (Pty) Ltd T/A SANI	TS Setshedi	Tshwane University of Technology	1 238 441	1 060 372
Lamsta Suppliers And Projects	Mz Ndabankulu	Ec: Rural Dev & Agrarian Reform	-	485 768
Iphiko Lempilo Supplies Pty Ltd	TZ Nong	Kzn: Health	-	72 000
Illovo Sugar Ltd	M. Hankinson	Transnet Group	383 430	439 169
Aurecon Sa (Pty) Ltd	Z. Ebrahim	Social Housing Regulatory Authority	895 568	-
St Michaels Sands Hotel	YS. Song	Ithala Development Finance Corporation Ltd	-	16 600
Bigen Africa Services (Pty) Ltd	J. Botha	Development Bank Of Southern Africa	-	656 097
Pricewaterhousecoopers Combined Systems Pty Ltd	Pj. Mothibe	Independent Regulatory Board For Auditors	15 219	112 363
Consolidated African Technolog	SS. Ntsaluba	National Energy Regulator Of South Africa	157 889	141 075
CQS Technology Holdings	IB Skosana	Transnet Group	91 851	275 035
			4 540 143	**5 171 284**

54. Water losses

Water losses				
Unaccounted water losses	27 141 118	28 211 242	27 141 118	28 211 242

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tempered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

A five-year strategic non-revenue water reduction was adopted and implemented by the Executive Committee in May 2014. The below-mentioned technical information was derived at as part of the implementation plan:

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

54. Water losses (continued)

Volumes in ML/year:				
System input volume	41 840	41 229	41 840	41 229
Billed authorised consumption	30 760	28 992	30 760	28 992
Unbilled authorised consumption	207	326	207	326
Apparent losses	3 423	3 487	3 423	3 487
Real losses	7 450	8 423	7 450	8 423
Estimated non-revenue water	11 080	12 237	11 080	12 237
	94 760	**94 694**	**94 760**	**94 694**
Number of connections	44 605	43 450	44 605	43 450
Real losses %	17,81 %	22,28 %	17,81 %	22,28 %
Water losses %	25,99 %	27,90 %	25,99 %	27,90 %
Non-revenue water %	26,48 %	28,53 %	26,48 %	28,53 %
	70,28 %	**78,71 %**	**70,28 %**	**78,71 %**

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 673 470	2 038 851	2 673 470	2 038 851
Amount paid - current year	(2 673 470)	(2 038 851)	(2 673 470)	(2 038 851)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

Audit fees

Opening balance	25 441	368 161	-	368 161
Asssumed from business combination	-	1 154	-	-
Current year subscription / fee	3 765 918	2 976 641	3 090 207	2 384 650
Amount paid - current year	(3 747 363)	(2 951 200)	(3 090 207)	(2 384 650)
Amount paid - previous years	(19 335)	(369 315)	-	(368 161)
	24 661	**25 441**	**-**	**-**

PAYE and UIF

Current year subscription / fee	41 997 910	41 727 088	40 363 103	40 340 203
Amount paid - current year	(38 515 131)	(41 727 088)	(36 880 324)	(40 340 203)
	3 482 779	**-**	**3 482 779**	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	63 604 344	57 503 338	63 100 259	56 522 612
Amount paid - current year	(63 604 344)	(57 503 338)	(63 100 259)	(56 522 612)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

55. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	36 117 732	-	36 461 097	-
VAT payable	-	498 300	-	855 061
	36 117 732	**498 300**	**36 461 097**	**855 061**

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor VL Ntanza	2 749	6 961	9 710
Councillor ST & PY Gumede	2 161	1 598	3 759
Councillor ST Gumede	119	198	317
Councillor TN Dzingwa	1 165	93	1 258
Councillor NH Gumede	2 591	-	2 591
Councillor NA Madlala	123	-	123
Councillor MA & ZP Chiliza	166	-	166
Councillor MJ Sibango	972	-	972
Councillor Y Nair	1 521	-	1 521
Councillor SM Zuma	79	-	79
Councillor IM Mavundla	57	-	57
Councillor SB & SP Cele	41	-	41
	11 744	**8 850**	**20 594**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor VL Ntanza	1 138	1 219	2 357
Councillor TN Dzingwa	754	1 824	2 578
Councillor NA Madlala	116	-	116
Councillor NH Gumede	1 794	-	1 794
Councillor ST Gumede	111	779	890
Councillor SB & SP Cele	-	5 072	5 072
Councillor ST & PY Gumede	422	3 115	3 537
Councillor SM Mohamed	819	-	819
	5 154	**12 009**	**17 163**

56. Change in estimate

Property, plant and equipment

The useful life of certain property plant and equipment items was estimated in prior periods was revised during the current period by the management.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

57. Events after the reporting date

In terms of section 12 of the Local Government Municipal Structures Act, No 117 of 1998; 3,5 wards will be transferred to Ethekwini Municipality effective from the 10th August 2016.

With effect from 1 July 2016, the operations and administration of the company have been transferred as a going concern, together with all operations, human resources, fixed assets, agreements, contracts, directors and shareholding arrangements, to a new company registered with CIPC called Ugu South Coast Development Agency (RF) SOC LTD registration number 2016/158371/30.

The transfer was concluded in terms of a Memorandum of Agreement signed by the parent, Ugu District Municipality, and the two municipal entities, South Coast Development Agency NPC and Ugu South Coast Development Agency (RF) SOC LTD in June 2016.

The formation of the new company and transfer of operations was necessary as a Non Profit Corporation could not be converted into a State-Owned Company. In terms of Section 16(6) of the Companies Act, Act 71 of 2008, only a profit company can be converted into another category of company.

A new bank account has since been registered in the name of the new company.

58. Actual operating expenditure versus budget operating expenditure

It is general practice to deem that a 10% deviation on operational revenue and expenditure versus the final budget as material.

1. Service charges (-32%). The billed revenue was less than anticipated due to a less connections.

2. Rental of Facilities and Equipment (-40%). The lease agreement for Ugu Markets were not renewed.

3. Interest Earned (41%). More investment income was earned from notice deposits accounts at favourable rates.

4. Other revenue (-47%). Grant rollovers were budgeted as part of other income as Provincial Treasury request.

5. Remuneration for councillors (19%). The subsistence allowance for councillors was over budgeted as it was anticipated that councillors would travel more often as this was the elections period. However the election date was postponed.

6. Lease rentals from operating leases (-116%). There were new photocopiers and scanners leased during the period.

7. Depreciation and amortisation (-65%). More assets were identified through the asset verification project and updated in the FAR.

8. Impairment loss (-161%). Increase in debtors impairment provision is due to the pending results of the meter audit.

9. Finance costs (48%). No new loans were taken during the financial year under review. Finance lease for motor cars were fully paid.

10. Contracted servcices (11%). Less maintenance work was outsourced during the year under review.

11. Grants and Subsidies paid (62%). Less as the actual figures does not include the indigent support and free basic services.

12. General expenses (17%). The municipality implemented some cost cutting measure, especially of the non-core related expenses.

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

59. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D2 for the comparison of actual capital expenditure versus budgeted expenditure.

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

60. 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 consolidated financial statements.

Deviations from the tender stupulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Economic Entity

Department - June 2016	**Reason**	**Sub-section**	**Amount**
Water Services	Sole Supplier	S36(ii)	56 440
Corporate Services	Extention of security tender	S36(ii)	8 235 384
Corporate Services	Emergency	S36(ii)	4 836 471
Corporate Services	Agent	S36(ii)	150 000
Ugu South Coast Tourism	Sole Supplier	S36(ii)	28 237
Ugu South Coast Tourism	Impossible to obtain three quotes	S36(ii)	2 166 072
South Coast Development Agency	Sole Supplier	S36(ii)	15 960
South Coast Development Agency	Impossible to obtain three quotes	S36(ii)	339 975
			15 828 539

Department - June 2015	**Reason**	**Sub-section**	**Amount**
Corporate Services	Agent	S36(ii)	950 000
Water Services	Emergency	S36(ii)	3 814 351
Treasury	Sole Supplier	S36(ii)	121 713
Ugu South Coast Tourism	Sole Supplier	S36(ii)	484
Ugu South Coast Tourism	Impossible to obtain three quotes	S36(ii)	1 898 950
South Coast Development Agency	Sole Supplier	S36(ii)	12 934
			6 798 432

Controlling Entity

Department - June 2016	**Reason**	**Sub-section**	**Amount**
Water Services	Sole Supplier	S36(ii)	56 440
Corporate Services	Extention of security tender	S36(ii)	8 235 384
Corporate Services	Emergemcy	S36(ii)	4 836 471
Corporate Services	Agent	S36(ii)	150 000
			13 278 295

Department - June 2015	**Reason**	**Sub-section**	**Amount**
Corporate Services	Agent	S36(ii)	950 000
Water Services	Emergency	S36(ii)	3 814 351
Treasury	Sole Supplier	S36(ii)	121 713
			4 886 064

	Economic entity		Controlling entity	
Figures in Rand	2016	2015	2016	2015

60. Deviation from supply chain management regulations (continued)

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

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Ugu District Municipality

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