

ALFRED DUMA LOCAL MUNICIPALITY

ANNUAL REPORT

2017/2018



## **FORMAT OF THE ANNUAL REPORT**

Format for the annual report as per the MFMA Circular 63:

- Chapter 1: Mayor's Foreword and Executive Summary;
- Chapter 2: Governance;
- Chapter 3: Service Delivery Performance;
- Chapter 4: Organizational Development Performance;
- Chapter 5: Financial Performance;
- Chapter 6: Auditor General's Findings;
- Appendices; and
- Volume II: AFS

## Chapter 1: Mayor's Foreword and Executive Summary

### 1.1 Mayor's Foreword



Guided by municipal legislation, I can confirm that we are a Council at work.

As Council we focused in the following three logical areas:

- **Leadership**, which is expected to set the correct tone for effective governance;
- **Financial and performance management reports**, that need to be subjected to management checks and balances to confirm credibility of information; and
- **Governance**, by strengthening audit committees and internal audit functions that will complement the work of the newly established municipal public accounts committees (MPACs).

Based on a new vision for a developmental local government, the constitution mandates local government to provide democratic and accountable government, which will ensure provision of services to communities in a manner that would stimulate sustainable social and economic development.

To strengthen and streamline the municipality and its operations to enable the institution to expand service delivery to the residents the following interventions and actions were prioritised:

- Addressing irregular, fruitless and wasteful expenditure and improving the audit opinion by the Audit-General and introducing corrective measures towards obtaining a clean audit.
- Promoting financial discipline and management.
- Vigorously instilling a culture of performance within the institution.
- Making the vision and mission of the municipality our motto to provide a strategic thrust for the Municipality's long-term development planning.
- Stabilizing the administration by filling key strategic vacancies.
- Sourcing available national and provincial funding to augment key service delivery projects and replace aging and poor infrastructure.
- Capacitating the Ward Committee System to enhance effective public participation.

The degrading living conditions of our people will be improved for the better. Working together we have done a lot and more still needs to be done. We pride ourselves with the speedy provision of infrastructure such as, construction of community halls, bridges, provision of electricity and houses as part of eradication of informal settlements.

With the minimal resources that we have, we have made a difference.

**ALFRED DUMA LOCAL MUNICIPALITY**  
**CLLR MV MADLALA**  
**THE MAYOR**

## **1.2 Municipal Manager's Foreword**

Annual Reporting and Auditing are known for its checks and balances, a discipline where things have to add up. As a Municipality we are obliged to encourage the involvement of communities and community organisations in municipal governance, as the Accounting Officer guided by applicable legislation, I commit that we will advance Service Delivery beyond Expectation.

As we advance towards achieving a clean audit as Alfred Duma Local Municipality we will focus on the following important areas, namely:

- We have deployed dedicated resources for specifically identified high-risk areas, such as revenue and procurement.
- We have addressed Management and employee training and development in order for them to be capacitated on issues within the financial management scope of practice.
- We have address the attraction of skills and expertise through recruitment and employment processes.
- We have work collectively to monitor supply chain management practices and practitioners, which is showing a growing trend of irregular expenditure and deviations.
- We have improved on predetermined objectives (service delivery reporting).
- We have collectively adhered to the IDP priorities and no chopping and changing of projects unexpectedly during the financial year.
- We have improved our Information Technology controls.
- We have accelerated improvement in terms of internal control.
- We have improved human resource management system, considering matters relating to Job Creation Staff and payments of Overtime unnecessarily.
- Managers must plan appropriately all tasks ahead and attach employees to perform timeously and targets must be achieved during the ordinary hours.

We need to purify and perfect the internal controls in all these areas to improve the level of transparency and accountability in our Municipality towards ensuring timeous completion of Annual Reports.

Guided by the IDP, SDBIP and Performance Plans, we are capacitated, committed and passionate as this Council to fulfil the mandate of the communities we serve and represent.

Administratively all Managers have wealth of experience and expertise, collectively we will make it possible.

**ALFRED DUMA LOCAL MUNICIPALITY  
THE MUNICIPAL MANAGER  
MS SS NGIBA**

## **1.3 Municipal Overview**

### **1.1 INTRODUCTION AND BACKGROUND**

The redetermination of boundaries in terms of section 21 of the Local Government: Municipal Demarcation Act 1998 (Act No.27 of 1998) resulted in certain municipalities being disestablished and their former areas of jurisdiction merged under new municipalities to be established. Alfred Duma Local Municipality was formally established on 03 August 2016 when Emnambithi/Ladysmith Municipality and Indaka Local Municipality merged to form one municipality within the Uthukela District Municipality.

This document presents the Final Integrated Development Plan for Alfred Duma Local Municipality for 2017/2018 – 2021/2022 financial years. Chapter five of the Municipal Systems Act (MSA) No. 32 of 2000, inter-alia, requires all municipalities to be developmentally-orientated in their planning. This is to ensure that they strive to achieve the objectives of local government as set out in section 152 of the Constitution and give effect to the developmental duties bestowed upon them by the Constitution so as to progressively realize the fundamental rights contained in section 24, 25, 27 and 29 of the Constitution.

Further to that this IDP document is preparing the newly established municipality for functionality after the merger of the two municipalities. In terms of the Act, the Integrated Development Plan (IDP) must be developed in a co-operative and participatory manner, taking in to account other strategies and plans of vertical and horizontal departments. The plan must be aligned to resources and capacities of the municipality together with implementation plans. It must be a policy framework through which budgets and strategic decisions can be made from.

### **1.2 DOCUMENT OUTLINE**

The document is crafted taking into account a number of development dynamics and each division is interrogated in length under sections of the document laid out as follows: -

### *Chapter 1: Executive Summary*

This chapter presents the summarized version of the IDP and briefly explains the Alfred Duma municipality, its challenges and presents the developmental strategy for the municipality with its priorities and how such is to be monitored.

### *Chapter 2: Planning Development Principles and Government Policies and Imperatives*

This chapter presents the municipality's developmental informants from National, Provincial, District all the way down to local and how the municipality has aligned to these principles, policies and imperatives.

### *Chapter 3: Situational Analysis*

This chapter presents a rigorous analysis of the status quo of the municipality concentrating on demographical analysis, spatial, environmental, agricultural, disaster management, municipal transformation and institutional development, basic service delivery, socio-economic development, finance and good governance.

### *Chapter 4: Municipal Vision, Goals and Objectives*

Long terms development imperatives by concentrating on the vision, mission, goals, objectives and strategies

### *Chapter 5: Strategic Mapping*

This chapter spatially references the spatial development strategy of the municipality and it concentrates on desired outcome and strategic intervention areas.

### *Chapter 6: Implementation Plan*

This chapter provides a list of projects per department.

### *Chapter 7: Financial Planning*

This chapter presents the financial plan for the municipality.

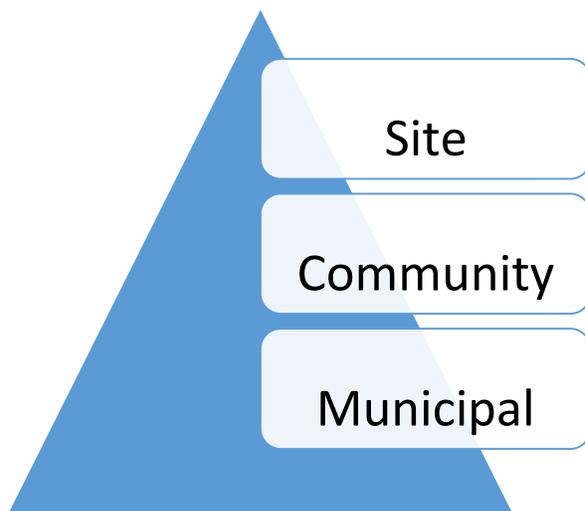
### *Chapter 8: Performance Management System*

This chapter reflects an in-depth analysis of Performance Management Systems at Alfred Duma Local Municipality through critical analyses of the monitoring and evaluation tools put in place to ensure the productivity of the organization.

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### **1.3 THE MUNICIPALITY AT A GLANCE**

The Alfred Duma Local Municipality is the result of the redetermination of boundaries in terms of section 21 of the Local Government: Municipal Demarcation Act 1998 (Act No.27 of 1998) which resulted in certain municipalities being disestablished and their former areas of jurisdiction merged under new municipalities and in this case Emnambithi/ Ladysmith and Indaka Local Municipality are part of the municipalities that merged and formed a new municipality known as Alfred Duma Local Municipality. The category of the municipality is still yet to be determined by the MEC for Cooperative Government and Traditional Affairs and is located in the Northern part of KwaZulu Natal. The Municipality is one of the three municipalities in the Uthukela District. The Municipality is strategically located along the N3 corridor which links Durban and Gauteng as well as the N11 which links it with Mpumalanga and Free State Provinces.



Well located in relation to at least two of the major tourism destinations in KwaZulu Natal. In fact, it serves as a base for the exploration of the Battlefields to the north and Ukhahlamba-Drakensburg Park to the south. The latter is a World Heritage Site and a world acclaimed tourist destination.

In terms of Land Use Management System (LUMS) for the Municipality a three (3) tier planning process will be adopted where planning is done at a municipal level, community level and a site level.

The IDP and SDF is developed for the municipality which will inform council of the areas that require more detailed planning and the type of planning essential for the area. Local Area Plans, Precinct Plans, Regeneration Strategy or Development Strategies have been developed for the areas of greatest need and

approved by the Political Change Management Committee. All these plans will be used to inform what happens at a site level which is articulated through the proposed Schemes (and existing) and proposed Rural Policy which aims at guiding land development at a site level.

### **1.3.2 SPATIAL STRUCTURING ELEMENTS OF THE MUNICIPALITY AS CONTAINED IN THE SDF INCLUDE:**

- Nodes (Concentration of activities)
- Corridors (Main roads/Arterials)
- Settlement patterns (Formal/Informal/Traditional)
- Restrictive conditions (Environmental/Topographical/Geo-technical)
- Environment /Open space Active/passive
- Urban Edge and
- Mix use Development

The municipality will however review and develop the next five-year Spatial Development Strategy so that it will reflect the following:

- The desired 2030 vision, goals and objectives
- Strategic interventions required to meet the desired outputs
- A description of catalyst projects for 2017-2021

### **1.3.3 THE ENVIRONMENT**

The municipality is located in the uThukela Water Management Area (WMA) with the Klip River and Sunday's River and their tributaries traversing the municipality. These rivers drain into the Tugela River (also known as uThukela), which is the largest river system in KwaZulu-Natal. The Tugela River forms part of the Tugela River Catchment, which is approximately 30 000 km<sup>2</sup> in extent. This is one of the important river catchments in South Africa, which drains from the Drakensberg escarpment into the Indian Ocean. There is substantial runoff from the Tugela catchment as a result of high rainfall. This presents the municipality with great opportunity in relation to agriculture.

The issue of contributing towards the green environment is also a priority in the municipality hence the recently constructed waste recycling plant which will be fully function by end of

2016 and at the same time will contribute towards creating jobs in the area especially for rural people. Another project that the municipality will embark on this financial year is planting of trees in and around the town to address the emission of gas in the atmosphere around Ladysmith.

### **1.3.4 POPULATION**

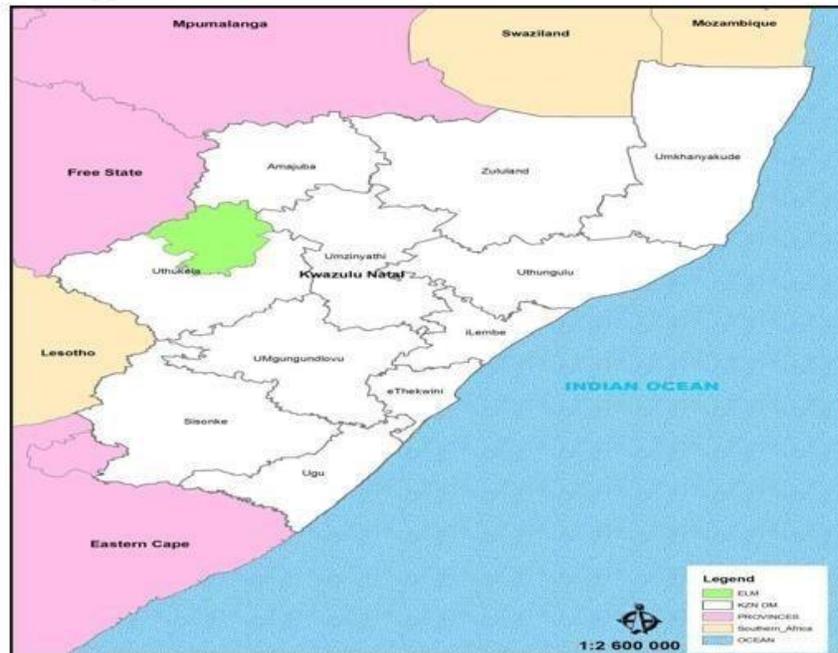
The current population for the **Alfred Duma Local Municipality is 356 276 people as per the 2016 Community Survey by Statistics SA and the Dependency Ratio is sitting at 69.44%**. One of the reasons that has led to decrease in the population is that the youth migrates to other cities like Durban, Pietermaritzburg and Gauteng looking for jobs and tertiary institutions.

### **1.3.5 MUNICIPAL SOCIO-ECONOMIC SPACE OVERVIEW**

#### **1.3.5.1 PROVINCIAL SPACE ECONOMY**

Alfred Duma Local spans over an area of 4 010,13km<sup>2</sup> of which 90% is rural land with limited basic services and infrastructure. The municipality is laid on the banks of the UThukela River within the region of Northern KwaZulu Natal. It's boarded by the Greater Drakensberg Mountain to the extreme West. In terms of the socio-economic macro context, the municipality is midway between the National Primary Nodes of Johannesburg and Durban. To the west of the municipality lies the Free State Province and to the north the Mpumalanga province. Bisecting the municipality is the presidential prioritised railway corridor which links the areas of Durban and Johannesburg.

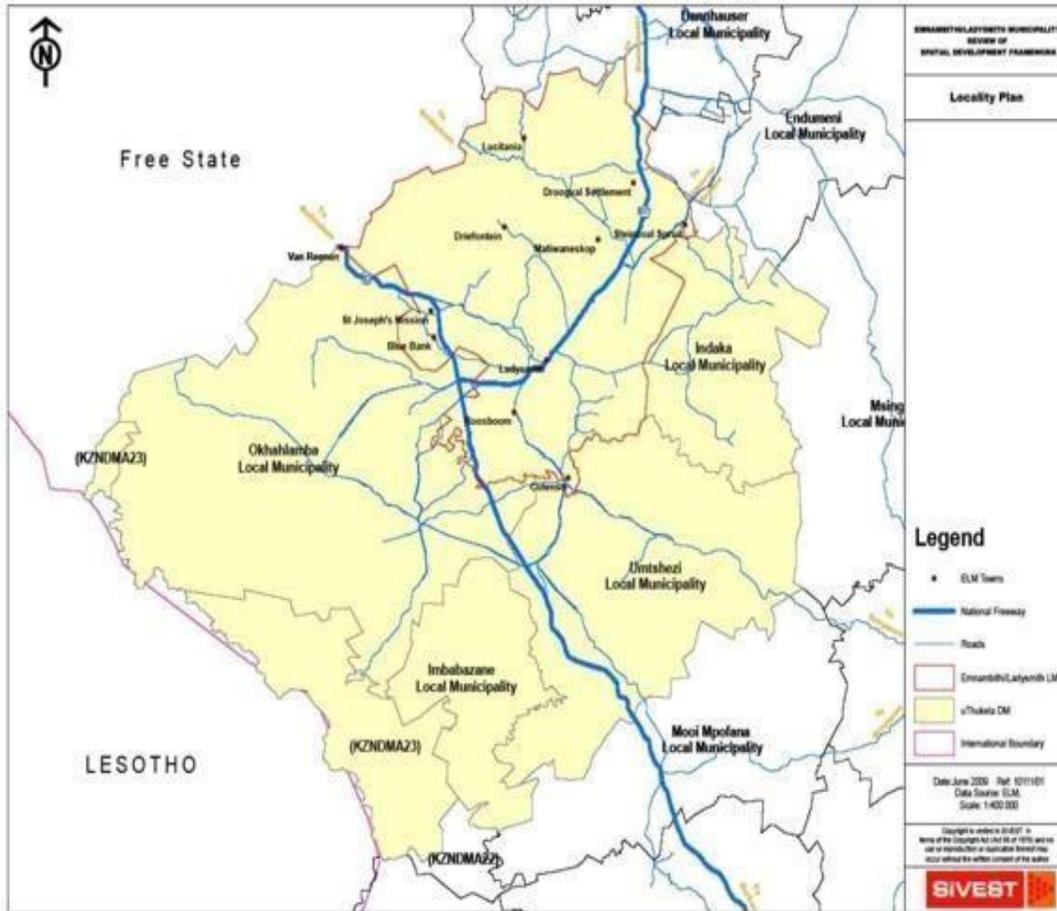
Figure 1: ELM PROVINCIAL OVERVIEW



### 1.3.5.2. DISTRICT SPACE ECONOMY

The Alfred Duma Local Municipality forms part of the UThukela District Municipality which comprises of other 2 Local Municipalities, namely; Okhahlamba Local Municipality and Inkosi Langalibalele Local Municipality which formed by merging Umtshezi and Imbabazane Local Municipalities. The municipality currently functions as the main economic hub of the District Municipality with most of the regional offices and industries located in it. In terms of the District Management Area (DMA) of uThukela, the municipality covers approximately 4 010km<sup>2</sup>. It is located on the western boundary of KwaZulu Natal.

**Figure 2: ELM DISTRICT OVERVIEW**



The map above seeks to illustrate the spatial configuration of the District Municipality. It indicates the 5 local municipalities that make up uThukela District. It also shows the movement infrastructure of the municipality. Dissecting the DMA space economy is the N11 provincial route which adjoins to the N3 National Route on the Northern parts of the municipality. This clearly illustrates the infrastructural strengths of the municipality.

### **1.3.5.3. LOCAL SPACE ECONOMY**

Alfred Duma Local Municipality comprises of 36 wards with 22 of those being rural wards and some of them administered by the Traditional Authorities namely Inkosi Khumalo in Driefontein Block and Inkosi Shabalala in Matiwane, Inkosi Sithole, Inkosi Zwane, Inkosi Mthembu and Inkosi Mabaso Mhlumayo area and Inkosi Nxumalo, Inkosi Kunene, Inkosi Mbhense and Inkosi Mchunu in the Limehill area. The map represents a range of settlements from urban to municipal service centres, agricultural landscapes, industrial and semi-rural residential settlements. The 36 wards within the Municipal jurisdiction will be represented by 73 councillors

and the number the Executive Committee will be determined after Local Government Elections that will take place in August 2016.

Alfred Duma Local Municipality comprises of the following areas

- Ladysmith Area;
- Colenso;
- Ezakheni;
- Steadville;
- St Chads;
- Driefontein Complex;
- Matiwanoskop;
- Roosboom
- Mhlumayo area and
- Limehill area

Ladysmith is the main/primary urban area/town in the municipality. The Township was proclaimed in June 1850 and officially named Ladysmith later that year. It is accessed via the N11 that connects the town with the N3 and traverse the town while making its way to the north. The R103 from Colenso and Roosboom in the south intersects the N11 in the southeast. Residential suburbs include Egerton, Observation Hill, Reservoir Hill, Hospital Park, Rose Hill, Residential settlements include Steadville and Leonards Ville, with a border of commercial activity on its westernmost edge closest to the river and the CBD.

Industrial areas include the Danskraal Industrial area to the north-east and further southeast is the industrial area of Nambiti. The south-westerly periphery of the CBD over the Klip River is characterised by public open space and recreational areas, including Settlers Park, the Indoor Sports Complex and the Aerodrome. The remaining settlements are rural in nature with the exception of Colenso and Ezakheni, and other minor township such as Steadville and Ekuvukeni.

### **1.3.5. LOCATIONAL ATTRIBUTES OF ALFRED DUMA LOCAL MUNICIPALITY**

Alfred Duma Local Municipality forms part of the Uthukela District Municipality, which is one of the ten district municipalities in KwaZulu-Natal. The Uthukela District is located along the western boundary of the KwaZulu-Natal Province (KZN) and adjoins the Kingdom of Lesotho and the Free State Province. It also forms the northern segment of Uthukela District and is bordered by the Free State province to the west, Dannhauser



As such, Alfred Duma Local Municipality is highly accessible at both regional and national level. This is recognised in the recently introduced Provincial Growth and Development Strategy for KwaZulu-Natal which classifies Ladysmith as a tertiary node with regional significance. This means that the area is earmarked for the location of infrastructure that serves the whole of Uthukela District and beyond, and connects the region with major urban centres such as Durban and Johannesburg. Industrial Tugela Catchments and Tugela River, Natural Bush, Forests and the climate is mostly comfortable. The cultural attractions include the certain parts of the Battlefields and Memorial, Museums, Monuments, Rock Art, Crafts, Recreation (Horse Riding) and tourism routes.

The municipality is located in a region with a rich heritage and military history ranging from the uMfecane period (early 1800s) to the turn of the century when the Boers tried to stem the tide of British imperialism. It includes Shaka's predatory campaigns, the arrival of the Voortrekkers, the Anglo-Zulu War and the Anglo-Boer Wars. The Battlefields Route provides a structured journey around the sites of various battles, skirmishes and sieges which are situated in a broad belt running through the central core of the region, from Estcourt in the south, through Ladysmith, Dundee and Newcastle, to Charlestown in the north.

This presents the area with a unique 'tourism triangle' character, consisting of three of the five B's branding of provincial tourism – Berg, Bush and Battlefields. In addition to its three main destinations, there is a diversity of related attractions and accommodation facilities. This rich diversity allows tourists to experience a wide range of activities and scenes within a relatively small area and is used as an important marketing element in the regional tourism industry.

The municipality is also located in the uThukela Water Management Area (WMA) with the Klip River and Sunday's River and their tributaries traversing the municipality. These rivers drain into the Tugela River (also known as uThukela), which is the largest river system in KwaZulu-Natal. The Tugela River forms part of the Tugela River Catchment, which is approximately 30 000 km<sup>2</sup> in extent. This is one of the important river catchments in South Africa, which drains from the Drakensberg escarpment into the Indian Ocean. There is substantial runoff from the Tugela catchment as a result of high rainfall.

#### **1.4 INTEGRATED APPROACH TO THE DEVELOPMENT OF THE ALFRED DUMA LOCAL MUNICIPALITY IDP 2017/2018 – 2020-2022**

The development of the strategic approach for the municipality is guided by the analysis done within the municipal areas of jurisdiction of both the former Indaka and Emnambithi/ Ladysmith Municipalities but also noting the impact in the district with the aim of achieving our long-term vision which is informed by the National

Development Policy, Provincial Strategic Plan, Provincial Spatial Economic Strategy including the National and Provincial State of Address and other policies. Consultations were done with communities, sector departments, businesses, NGO's and all relevant stakeholders so as to have a buy in in the drafting process of the IDP and ultimately own the process.

Prior to the approval of the IDP, the following structures meet to discuss it in detail. The Political Change Management Committee Council for now is the structure that is entrusted with the responsibility of IDP approval. Our municipal IDP is then fed to the District IDP to give the holistic view. It is the same IDP that coordinates and link spatial information with non-spatial data in a single and user-friendly presentation.

### *1.5 Institutional Arrangement*

The ADLM consist of the following Departments which ensures the delivery of services and oversight of municipal affairs: the Office of the Municipal Manager, Department of Finance, Department Development Planning and Human Settlements, Department Community Services, Department of Public Safety and Emergency Services, Department Corporate Services, Department Engineering Services, and Department of Technical and Infrastructural Services worth noting is that all the section 54/56 Managers positions are filled except for the Executive Director for Community Services where there's an acting person and the position will be filled by no later than end of July 2019. In terms of the vacancy rate within the municipality it is 33.3% and for the last financial year 105 post were budgeted for, 35 posts were filled only 70 posts were not filled.

## 1.6 Alfred Duma Local Municipality: Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<p>Good Infrastructure and Road Networks (road &amp; rail &amp; airport, the N11, N3 &amp; Aerodrome)</p> <p>Proactive municipal structure and administration</p> <p>Diverse and broad economy</p> <p>Abundance of undeveloped land</p> <p>Strong political alignment which creates a conducive environment for functionality and service delivery.</p> <p>Good customer relations with all sectors of our society</p> <p>Skilled and experienced staff compliments that are able to provide administrative and technical leadership to enable effective decision making to politicians.</p>	<p>Weak &amp; poor co-operation &amp; communication between local municipality and district municipality and between municipal internal sector departments</p> <p>Poor investment strategy and business retention.</p> <p>Inefficient communication between business society and the municipality.</p> <p>Poor revenue collection</p> <p>High number of poor and indigent communities</p> <p>Poor staff retention strategy</p> <p>Lack of upwards mobility plans and strategies.</p> <p>In consistent job evaluation</p> <p>Poor communication and understanding of roles and responsibilities between councillors and officials. Poor grant funding</p>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<p>Strategically located between Johannesburg &amp; Durban economic hubs</p> <p>Branded city “The home of Ladysmith Black Mambazo”</p> <p>Number of tertiary educational facilities</p> <p>The proposed Regional Mall along Helpmekeer Road; Extension 15 Development</p> <p>The location of the Big 5 Game Reserves and tourism facilities &amp; sites.</p>	<p>Aging infrastructural services High rates and property taxes.</p> <p>Poor disaster management plans and strategies</p> <p>Migration of skilled and competent labour</p> <p>High levels of political interference in administrative processes and procedures</p> <p>Poor intergovernmental relations</p> <p>High crime rates and high levels of poverty.</p> <p>Unequal service delivery that is more urban bias at the negligent of rural communities.</p> <p>HIV/AIDS represents a serious economic threat.</p> <p>Increase in the scope of wards which are more deep rural and less developed</p>

## 1.7 VISION

Taking into account the human and financial capabilities of the municipality the council envisions that:

By 2030 Alfred Duma Local Municipality will be Kwa-Zulu Natal most prosperous city where all residents enjoy high quality of life.

The vision commits the municipality to championing economic development within the key sectors that characterises Ladysmith. It also entrusts the municipality with the responsibility of delivering services and creation of a safe and healthy environment. This vision is also embedded with economic, social, service delivery and social cohesion elements. The vision was a result of a collaborated strategic planning meeting which took place in Drakensburg early December 2016.

### 1.7.1 ELEMENTS OF THE VISION

The Alfred Duma Local Municipality vision encompasses the following five dimensions of development in which we strive for:

1. **Economic:** a broad, diverse and inclusive economy that grows at least at a 3% growth rate per annum in order to create conducive conditions for employment opportunities.
2. **Social:** social harmony and inclusiveness, poverty alleviation and equity
3. **Service Delivery:** an excellent service delivery for all residents
4. **Social Cohesion:** unity and strength and good social relations
5. **Environmental Sustainability and Diversity:** development that meets the needs of today without compromising the ability of the future generations to meet their own needs. We strive for tolerance of diversity and we strive to be a resilient town that can adept and survive all conditions imposed upon it.

## 1.8 MISSION

The Mission Statement defines the fundamental purpose of the municipality and is as follows:

- ▯ Providing Basic Services in an affordable and sustainable manner;
- ▯ Promoting social upliftment and economic regeneration;
- ▯ Promoting a safe and healthy environment;
- ▯ Promoting public participation in the manner that supports Co-operative / Developmental Government;
- ▯ Building and entrenching Citizen Involvement.

In addition to that, it is a legal requirement of the Municipal Systems Act that Municipalities should set and implement strategic priorities, predetermined objectives, indicators and targets aligned to the local government strategic agenda. More over to this, the framework should be in line with the Performance

Management System of the municipality so as to enable the assessment of developmental progress and shortfalls of each area and enhance where applicable and necessary.

Therefore, the municipality has set the following strategic objectives and goals for the next 5 years:

### **1.9 MUNICIPAL STRATEGIC GOALS**

#### **1.9.1 GOAL NUMBER ONE: CREATING A CONDUCIVE ENVIRONMENT FOR ECONOMIC GROWTH**

- To ensure enhancement of appropriate and sustainable LED
- To contribute towards the development of Tourism Sector
- To contribute towards the development of the Agricultural Sector
- To promote the participation of Woman, Youth and the Disabled in LED projects and activities
- To promote SMME Development
- City Regeneration

#### **1.9.2 GOAL NUMBER TWO: PROMOTE FINANCIAL STABILITY**

- Improve financial viability of municipality
- To enhance effective and efficient SCM process and procedures
- Improve budget implementation in the municipality

#### **1.9.3 GOAL NUMBER THREE: PROMOTE SPATIAL DEVELOPMENT**

##### **(CROSS CUTTING)**

- To improve response to disasters
- To promote the sustainability and protection of the municipality
- Improve strategic and spatial planning in the municipality

#### **1.9.4 GOAL NUMBER FOUR: IMPROVE ON GOVERNANCE AND ACCOUTABILITY**

- To improve municipal inter-departmental and external (including IGR) communication
- Alleviate fraud and corruption in the organisation
- Improve effectiveness of public participation in the municipality
- Improve municipal efficiencies and operations
- Increase social development in municipal area

#### **1.9.5 GOAL NUMBER FIVE: ENHANCE INFRASTRUCTURE DEVELOPMENT AND MANTAINANCE**

- To improve access to infrastructure
- Improve access to electricity
- Improve the provision and maintenance of municipal roads and sidewalks
- Enhance access to and provision of social and community services

#### **1.9.6 GOAL NUMBER SIX: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT**

- To ensure that the Municipality has well skilled, competent, reliable and motivated employees and Councillors
- To improve institutional and organisational capacity

- Improve municipal performance through PMS implementation
- Strengthen public participation through municipal hotline
- To ensure that ward committees are capacitated in order to improve accountability of the municipality to communities

### **1.10 ACCELERATION OF SUSTAINABLE HUMAN SETTLEMENT**

To plan and support the acceleration of sustainable human settlements at appropriate locations

### **1.11 SPATIAL TRANSLATION OF THE MUNICIPAL VISION**

The Alfred Duma Local Municipal SDF is based on a detailed analysis of the spatial development trends and patterns within the region and the municipality in particular. It also taken into accounts the national and provincial spatial planning imperatives, and seeks to contribute to spatial transformation within the municipality. It acknowledges that the area to the east of Ladysmith Town, particularly Ezakheni and St Chad's areas are at the receiving end of the urbanisation processes taking place within the Municipality. The same is happening to a lesser extent in the dense rural settlements located mainly to the north and west of Ladysmith Town. This includes the Driefontein Complex, Matiwane, Nkunzi, etc.

The SDF discourages the continued outward expansion of these settlements and recommends containment of urban and settlement expansion. As such, it advocates for a densification, compaction and transformation of rural and urban settlements into sustainable human settlements and development of Ladysmith as a regional service, administrative and commercial hub.

It seeks to achieve this through a number of strategic initiatives, particularly the following:

- Establishing and developing a system of development corridors operating at different levels but connecting local areas with the centre and integrating the Alfred Duma into the regional and provincial economy.
- A system of development nodes providing services and access to facilities at different scales with Ladysmith being a regional node.
- Focusing development in strategically located areas as a means to unblock the economic opportunities and facilitate spatial integration
- Focusing equally on both rural and urban development as a means to manage rural-urban linkages and promote rural development.
- Promoting a continuum of settlements ranging dense urban to scattered sparsely populated rural settlements.

The achievement of the targets set is measured by specific smart indicators which represent the productivity in the targeted national key area, the project-based service delivery projects are measured with the completion date that is set on the service provider service level agreements. The remaining national key performance are measured with and numeral percentage accounting to the set target.

## **Chapter 2: Governance**

### **INTRODUCTION**

Governance is seen by the Alfred Duma Local Municipality as an exercise of economic, political and administrative authority to manage the municipality's affairs at all levels. It comprises of the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. To ensure good governance, which is – among other things – participatory, transparent and accountable – the Municipality views the four components dealt with in this Chapter as interrelated and mutually reinforcing.

### **2A. GOVERNANCE STRUCTURES**

#### **2.1 Political Governance Structure**

##### **(a) Introduction**

The Municipal Finance Management Act no 56 of 2003 (MFMA) Section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality.

In terms of section 9 (d) of the Municipal Structures Act 1998, the Alfred Duma Local Municipality should have an executive system combined with Council system.

*The Audit Committee report directly to Council, providing opinions and recommendations on financial processes and performance. Thereafter their report is submitted to the Municipal Public Accounts Committee (MPAC).*

The Municipal Public Accounts Committee (MPAC) is in place to reinforce the oversight arrangements in the Municipality and to ensure the efficient and effective use of municipal resources. Its key role is to consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report on the annual report, as required in terms of section 121 of the Local Government: Municipal Finance Management Act and Circular no. 63 dated September 2012 issued by National Treasury.

##### **(b) Mayor: Cllr MV Madlala**

The Mayor is the chairperson of the Executive Committee (EXCO). In terms of Municipal Structures Act, Municipal Systems Act, Municipal Finance Management Act no. 56 of 2003 (MFMA) and Municipal Planning and Performance Regulations, the Mayor performs duties, including any ceremonial functions, and exercises the powers delegated to the mayor by the municipal Council or Executive Committee.

##### **(c) Deputy Mayor: Cllr T Hadebe**

The Deputy Mayor exercises the powers and performs the duties of the Mayor, if the Mayor is absent or not available.

##### **(d) Speaker: Cllr TW Ngubane**

- Presides at the meeting of the Council.
- Ensures that the Council meets at least once a quarter.
- Strictly ensures that the Council meetings are conducted in accordance with the rules and orders of the Council.
- The provision of administrative and secretarial support services to all councillors. This support strengthens the effectiveness of councillors in their role as public representatives.

**(e) Chief Whip: Cllr T Njapha**

The Chief Whip performs duties that are delegated to him by Council; including the following but not limited to:

- Developed and approved a Code of Conduct for councillors. The Council Speaker and the Council Chief Whip have co-responsibility to ensure adherence to the Code of Conduct.

**(f) Political decision-taking**

Section 53 of the Municipal Systems Act no. 32 of 2000 stipulates inter alia that the respective roles and areas of responsibility of each political structure and political office bearer of the Municipality and of the municipal manager must be defined.

The section below is based on the Section 53, of the Municipal Systems Act no. 32 of 2000, roles and responsibilities that was approved at the Council meeting of August 2016.

The political decision making at the Alfred Duma Local Municipality is supported by the Management Committee. Management decided on forwarding only issues that have to be submitted to EXCO and Council, either in terms of the EXCO and Council's delegated authority or through requests received from any of the Portfolio Committees.

Once the Executive Committee (EXCO) has accepted the recommendations, such recommendations are submitted to Council for consideration and adoption/noting respectively. In the few cases where there is no consensus on a matter within Council, the issue will go to the vote. Once the Minutes of the Council meeting has been adopted, the responsibility lies with the Accounting Officer to ensure that actions are taken to implement such resolutions.

**Municipal Council**

- governs by making and administrating laws, raising taxes and taking decisions that affect people's rights;
- is a tax authority that may raise property taxes and service levies;
- is the primary decision maker and takes all the decisions of the Municipality except those that are delegated to the Executive Committee and/or Administration.
- can delegate responsibilities and duties for the purpose of fast and effective decision making;
- must strive towards the constitutional objectives of local government;
- must consult the community regarding local government matters; and
- is the only decision maker on non-delegated matters such as the approval of the IDP and Budget.

The Municipal Council of the Alfred Duma Local Municipality consists of Seventy-two (73) members. Thirty-six (36) represents wards and the remainder of Councillors are proportional representatives elected to represent political parties on the basis of proportional representation. The ruling party in Council is the African National Congress (ANC). The first Council Meeting elected the Mayor, Deputy Mayor, Council Speaker and Chief Whip.

**COUNCIL REPRESENTATION**

Political Party	Number
African National Congress (ANC)	46
Democratic Alliance (DA)	4
Economic Freedom Fighters (EFF)	4
Inkatha Freedom Party (IFP)	16
National Democratic Convention (NADECO)	1
National Political Alliance (NPA)	1
Total	72

**EXECUTIVE COMMITTEE REPRESENTATION**

Political Party	Number
African National Congress	6
Democratic Alliance	1
Inkatha Freedom Party	2

**2.1.1 Portfolio Committees**

These committees are established in terms of Section 79 of the Municipal Structures Act no. 117 of 1998, in order to deliberate and make recommendations to the Executive Committee.

The Council has six (6) portfolio committees and every political party is represented in all committees. Members of the Executive Committee are tasked with the responsibility of chairing the supporting committees. The committees are:

**Members of the Finance Portfolio Committee**

Member	Political Party
Cllr M V Madlala (Chairperson)	African National Congress
Cllr S Kubheka	African National Congress
Cllr L B M Kubheka	African National Congress
Cllr S R Mfusi	African National Congress
Cllr E V Nkabinde	African National Congress
Cllr M E Mbatha	African National Congress
Cllr N R Maphalala	Inkatha Freedom Party
Cllr L Bhoobun	Inkatha Freedom Party
Cllr M R Suddaby	Democratic Alliance

**Members of the Support Services Portfolio Committee**

Member	Political Party
Cllr N A Khanyile (Chairperson)	African National Congress
Cllr S S Radebe	African National Congress
Cllr S I Khulu	African National Congress
Cllr M N Mlotshwa	African National Congress
Cllr W T Hlomuka	African National Congress
Cllr Z E Myende	African National Congress
Cllr X F Mhlongo	Inkatha Freedom Party
Cllr T P Dlamini	Inkatha Freedom Party
Cllr V Murugan	Democratic Alliance

**Members of the Social Services Portfolio Committee**

Member	Political Party
Cllr T Hadebe (Chairperson)	African National Congress
Cllr T A Dubazane	African National Congress
Cllr S E Kubheka	African National Congress
Cllr N T A Mbatha	African National Congress
Cllr M N Mbhense	African National Congress
Cllr N E Vilakazi	African National Congress
Cllr Z P Nsuntsha	Inkatha Freedom Party
Cllr M M Khoza	Inkatha Freedom Party
Cllr M Shange	Economic Freedom Fighters

**Members of the Development, Planning & Human Settlements Portfolio Committee**

Member	Political Party
Cllr A Mchunu (Chairperson)	African National Congress
Cllr S B Dlungwane	African National Congress
Cllr G M Hlubi	African National Congress
Cllr M B Mbhele	African National Congress
Cllr T P Mchunu	African National Congress
Cllr M W Ndamane	African National Congress
Cllr S S J Sithole	Inkatha Freedom Party
Cllr T P Khumalo	Inkatha Freedom Party
Cllr M M Nkosi	Economic Freedom Fighters

**Members of the Community Services Portfolio Committee**

Member	Political Party
Cllr S Msibi (Chairperson)	African National Congress
Cllr M P B Mbatha	African National Congress
Cllr D J Radebe	African National Congress
Cllr M S Mchunu	African National Congress
Cllr N I Zwane	African National Congress
Cllr N L Zikalala	African National Congress
Cllr L K Kunene	Inkatha Freedom Party
Cllr N T V Sibisi	Inkatha Freedom Party
Cllr L Nkosi	Economic Freedom Fighters

**Members of the Infrastructure and Electrical Portfolio Committee**

Member	Political Party
Cllr L S Madinane (Chairperson)	African National Congress
Cllr T B Njapha	African National Congress
Cllr M P Nkabinde	African National Congress
Cllr T P Gamede	African National Congress
Cllr T P Njoko	African National Congress
Cllr S D Sokhela	African National Congress
Cllr K L Msibi	Democratic Alliance
Cllr F P Sithole	Inkatha Freedom Party
Cllr Z I Madondo	Inkatha Freedom Party

**2.1.2 Section 79 Committees in terms of the Municipal Structures Act****Members of the Municipal Public Accounts Committee (MPAC)**

Member	Political Party
Cllr N B Mchunu (Chairperson)	ANC
Cllr J M Magasela	ANC
Cllr D M Mazibuko	ANC
Cllr D Mfusi	ANC
Cllr N H Thwala	ANC
Cllr S D Vilakazi	ANC
Cllr T Xaba	ANC
Cllr B C Majola	IFP
Cllr L Qwabe	IFP
Cllr S A Buys	DA
Cllr E N M Mthethwa	NPA
Cllr S Z Sibisi	NADECO
Cllr P N Mazibuko	EFF

**Members of the Rules Committee Members**

Member	Political Party
Cllr TW Ngubane	ANC (Chairperson)
Cllr M V Madlala	ANC
Cllr T B Njapha	ANC
Cllr S A Buys	DA
Cllr T P Dlamini	IFP
Cllr L Nkosi	EFF
Cllr E N M Mthethwa	NPA
Cllr S Z Sibisi	NADECO

**2.2 Administrative Governance Structure****(a) Introduction**

By law, the Municipal Manager automatically is the head of administration as well as the accounting officer. The Municipal Manager has extensive statutory and delegated powers and duties, as well as powers and duties that can be inferred from such statutory and delegated powers and duties.

***The Municipal Manager is, amongst others, responsible –***

- for the formation and development of an economical, effective, efficient and accountable administration;
- to ensure that the municipal “machine” operates efficiently, that the organizational structure is able to perform the various tasks and exercise the necessary controls;
- to fulfil a leadership role in the administration; this is of utmost importance to influence the actions of staff and to inspire and persuade them to work together to realize the municipality’s goals;
- for the implementation of the municipality’s integrated development plan, and the monitoring of progress with implementation of the plan; and
- for the financial responsibilities as accounting officer as determined by the MFMA.

The Municipal Manager is the chief adviser of the municipality and must advise the political structures and political office-bearers of the municipality. The Municipal Manager must see to the carrying out of the decisions of the political structures and political office-bearers of the municipality.

The Municipal Manager must facilitate participation by the local community in the affairs of the municipality and must also develop and maintain a system whereby community satisfaction with municipal services is assessed.

Department	Head of Department	Designation	National key Performance Areas
Office of the Municipal Manager/ Mayoral Office	Ms SS Ngiba	Municipal Manager	<ul style="list-style-type: none"> <li>• IDP Process</li> <li>• Assessment of the municipality's performance management system</li> <li>• Assessment of whether the municipality performance system complies with the Act</li> <li>• An assessment of the alignment of objective, output and measures</li> <li>• Review of Risk Management Strategy and Framework</li> <li>• Ensuring effective and functional Internal Audit Systems</li> <li>• Youth Development and Empowerment</li> <li>• Community public consultation and ward committees</li> <li>• Communications and municipal branding</li> <li>• Sport management services</li> <li>• Effective and functional war rooms through Operation Sukuma Sakhe programmes</li> <li>• Women, children and people with disabilities empowerment</li> </ul>
Department: Corporate Services	Mrs PS Mntaka	Executive Director: Corporate Services	<ul style="list-style-type: none"> <li>• Leave Administration</li> <li>• Staff Records and Appointments</li> <li>• Administration of IOD's and Pension Claims</li> <li>• Training Programmes Undertaken and submissions to LGSETA</li> <li>• Employee Study Bursaries</li> <li>• Information Technology – Governance, Security Management, User Access</li> <li>• Control, Program Change Management, Services Continuity</li> <li>• Provision Council Support Services</li> <li>• Implementation of Employment Equity Plan</li> <li>• Compliance with National Archives and Records Management Act</li> <li>• Legal Support Services and Contract Register</li> </ul>
Department: Community Services	Mr PBB Simelane	Executive Director: Public Safety and Emergency Services  and  Acting Executive Director: Community and Social Services	<ul style="list-style-type: none"> <li>• Collection of Fines Paid</li> <li>• Reconciliation between Samras and Traffman</li> <li>• Fleet Management and Fuel Consumption</li> <li>• Licensing collections</li> <li>• Job Costing and Sundry Services</li> <li>• Hire of Community Facilities and management</li> <li>• Projects and Grant Funding received</li> <li>• Solid Waste Removal</li> <li>• Provision of parks, gardens, cemeteries and creational facilities</li> <li>• Disaster and emergency services</li> </ul>
Department: Development Planning and Human Settlements	Mr SE Mazibuko	Executive Director: Development, Planning and Human Settlements	<ul style="list-style-type: none"> <li>• Administration of Land Sales</li> <li>• Administration of Housing Projects</li> <li>• Administration of LED Projects</li> <li>• Town Planning</li> <li>• GIS</li> <li>• Tourism and Museum</li> </ul>

Department: Budget and Treasury	Mr M Hloba	Executive Director: Finance (CFO)	<ul style="list-style-type: none"> <li>• Creditors Run and reconciliation</li> <li>• Long Term Loans Reconciliation</li> <li>• Grants Reconciliation</li> <li>• Fixed Assets Register and Asset Count</li> <li>• Investment and Interest Charged</li> <li>• Inventory / Stock Control</li> <li>• Cash Taking</li> <li>• Banking and Bank Reconciliation</li> <li>• Debtor Processes and Month End Trial Run for Services Rendered</li> <li>• Suspense Accounts; Commitments</li> <li>• Fruitless and Wasteful Expenditure</li> <li>• Journals Processed</li> <li>• Implementation of Indigent Policy</li> <li>• Salary Run, and ACB</li> <li>• Financial System Transaction Listing</li> <li>• Supply Chain Management Process</li> <li>• Contract Payments</li> <li>• Review of Mid-Year and Annual Financial Statements</li> <li>• Review of Mid-term and Annual Budget</li> <li>• Valuation roll and Rates Assessment</li> </ul>
Department: Technical and Infrastructure Services Electrical Services	Mr SO Hlatshwayo	Executive Director: Technical and Infrastructure Services	<ul style="list-style-type: none"> <li>• Job costing and Sundry Services</li> <li>• Plan Approvals, Building Inspection and Occupation Certificates</li> <li>• Projects and Grants Funding Received</li> <li>• Floods Management</li> <li>• Maintenance</li> <li>• Project Management</li> <li>• Job costing and Sundry Services</li> <li>• Maintenance</li> <li>• Electricity loss calculations</li> <li>• Electricity Meter Books, Final Error Report, Meter Changes and Bulk Consumer Accounts</li> <li>• Projects and Grants Funding Received</li> <li>• Project Management</li> </ul>

## 2B. INTERGOVERNMENTAL RELATIONS

### 2.3 Intergovernmental Relations

*The Municipal Systems Act, No. 32 of 2000 (MSA) Section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution section 41.*

Before 1994 South Africa had fragmented administrations: this meant that citizens were divided geographically with different population groups living in different suburbs and areas and only a small minority of residents benefited from development. Today South Africa has a unitary, yet decentralised, state with nine provincial governments and more than 283 municipalities.

The Constitution and the new democratic government recognise that the three spheres of government cannot function in isolation. Decentralisation and co-operation is critical to the successful transformation of the state in the coming decades.

The role of local government in Intergovernmental Relations has moved extensively from the symbolism of the past to meaningful interaction of common benefit with far reaching implications for the image of South Africa, and the development agenda at a local government level.

In this regard it has been determined that the growing demands and complexity of South African municipal service-delivery imperatives have impacted significantly on the range and depth of skills and competencies required from within the municipal economy. This has necessitated serious consideration of municipal international relations as an increasingly viable conduit for scarce skills and resources.

### 2.3.1 NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality attends the following meetings on National level:

- SALGA meetings

### 2.3.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The Municipality attends the following meetings on Provincial level:

- SALGA meetings
- MuniMec Tech
- MuniMec
- Premiers Co-ordinating Forum
- Municipal Managers Forum

### 2.3.3 DISTRICT INTERGOVERNMENTAL STRUCTURES

The Municipality attends all meetings held on District level.

The Alfred Duma Local Municipality, during the period under review, was involved in the District Technical Advisory Committee (DTAC) co-ordinated by KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs. The purpose of this committee is to deliberate on performance, monitoring, reporting and evaluation issues in municipalities.

The committee meets once a quarter in a rotational hosting system. The Alfred Duma Local Municipality was represented in all four District Technical Advisory Committee (DTAC) meetings that took place during the financial year 2017/2018.

The meetings were held on the following dates:

Date	Host Municipality	Alfred Duma Local Municipality's Official/s Present
12 September 2017	COGTA Mayville Offices	Mr Bongani Madondo (Internal Audit) and Mrs ND Mwamba
29 November 2017	COGTA Disaster Management Centre- Pietermaritzburg	Mr Bongani Madondo (Internal Audit) and Mrs ND Mwamba
7 March 2018	Uthukela District Municipality	Ms Nondu Sithole and Mr Ntokozi Ntshingila
7 June 2018	Amajuba District Municipality	Ms Nondu Sithole, Mr Bongani Madondo (Internal Audit) and Mrs ND Mwamba

### 2.3.4. INTERDEPARTMENTAL RELATIONS

The municipality established the Inter-departmental Committee where all cross-cutting issues affecting municipality are discussed. This committee is made up of municipal senior officials from all municipal departments.

The Inter-departmental Committee Meetings were held as follows:

No.	Date of the Meeting
1.	19 March 2018
2.	11 April 2018
3.	04 May 2018
4.	06 June 2018

## **2C. PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### **2.4 Public Meetings**

Ward	No. of Targeted Meetings per Annum	No. of community meeting held per Annum	No. of Sectoral meetings Held per Annum	Ward committee meetings held in 2017/2018
1	6	3	80	7
2	6	4	77	4
3	6	7	76	5
4	6	5	57	4
5	6	5	30	5
6	6	4	68	5
7	6	5	59	6
8	6	8	76	4
9	6	4	54	6
10	6	3	52	5
11	6	10	70	6
12	6	3	22	4
13	6	6	53	5
14	6	7	62	5
15	6	7	43	4
16	6	8	82	4
17	6	5	68	6
18	6	4	75	5
19	6	8	82	6
20	6	9	76	10
21	6	6	48	6
22	6	7	62	4
23	6	6	70	4
24	6	16	83	7
25	6	10	68	6
26	6	19	57	4
27	6	11	60	5
28	6	21	88	9
29	6	9	84	7
30	6	8	82	4
31	6	10	87	9
32	6	4	82	6
33	6	4	85	12
34	6	18	83	10
35	6	6	86	10
36	6	4	82	12

COMMENTS:

TOTAL NO OF WARD COMMITTEE MEETING HELD JULY – SEPTEMBER 2017= 51

TOTAL NO. OF WARD COMMITTEE MEETINGS HELD OCTOBER – DECEMBER 2017 QUARTER = 59

TOTAL NO. OF WARD COMMITTEE MEETINGS HELD JANUARY – MARCH 2018 QUARTER = 52

TOTAL NO. OF WARD COMMITTEE MEETINGS HELD APRIL – JUNE 2018 QUARTER = 60

**TOTAL NUMBER OF WARD COMMITTEE MEETINGS AS PER FINANCIAL YEAR 2017 /2018 = 222**

TOTAL NO. OF COMMUNITY MEETINGS HELD JULY – SEPTEMBER = 68

TOTAL NO. OF COMMUNITY MEETING HELD OCTOBER – DECEMBER =76

TOTAL NO. OF COMMUNITY MEETING HELD JANUARY – MARCH = 69

TOTAL NO. OF COMMUNITY MEETINGS HELD APRIL TO JUNE = 67

**TOTAL NUMBER OF COMMUNITY MEETINGS HELD 2017 /2018 FINANCIAL YEAR = 280**

TOTAL NO. OF SECTORAL JULY – SEPTEMBER QUARTER = 572

TOTAL NO. OF SECTORAL OCTOBER – DECEMBER QUARTER= 764

TOTAL NO. OF SECTORAL JANUARY – MARCH QUARTER = 845

TOTAL NO. OF SECTORAL APRIL – JUNE QUARTER = 846

**TOTAL NUMBER OF SECTORAL REPORTS AS PER 2017 /2018 FINANCIAL YEAR = 3027**

Reasons for not achieving target:

- The quorum did not quorate.
- Overtime was stopped and this causes non-availability of officials since the ward committee meetings are held over weekends.

Corrective Measures:

- By-elections were done to wards that have less than 10 ward committee members.
- Overtime budget was allocated, so facilitators are able to work during weekends. As a result there were improvements on ward functionality that is conducted by Cogta quarterly.  
Quarter 2 (October to December 2017). Out of 36 wards – 34 were functional. 98% was achieved.  
Quarter 3 (January to March 2018). Out of 36 wards – 36 were functional. 100% was achieved.  
Quarter 4 (April to June 2018). Out of 36 wards – 36 were functional. 100% was achieved.

**2.5 IDP Participation and Alignment**

*Section 25 (1) (2) of the Municipal Systems Act, No. 32 of 2000 states that-*

*(1) Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which—*

<p>(a) <i>links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;</i></p> <p>(b) <i>aligns the resources and capacity of the municipality with the implementation of the plan;</i></p> <p>(c) <i>forms the policy framework and general basis on which annual budgets must be based;</i></p> <p>(d) <i>complies with the provisions of this Chapter; and</i></p> <p>(e) <i>is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.</i></p> <p>(2) <i>An integrated development plan adopted by a municipal council in terms of subsection (1) may be amended in terms of section 34 and remains in force until an integrated development plan is adopted by the next elected council.</i></p>
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Table: IDP Participation and Alignment Criteria

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

## 2D. CORPORATE GOVERNANCE

### 2.6.1 Risk Management

*Municipal Finance Management Act, 56 of 2003 section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.*

Risk Management is one of management's core responsibilities according to 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 and formalised process to identify, assess, manage, monitor, report and address risks on a continuous basis before such risks can impact negatively on the service delivery capacity of the Alfred Duma Local Municipality. When properly executed risk management provides reasonable assurance that the institution will be successful in achieving its goals and objectives.

A Risk Assessment is conducted annually; through facilitating the process of identifying and assessing risk per Department to determine the magnitude of risk exposure by assessing the likelihood of the risk materialising and the impact that it would have on the achievement of objectives. The identified risks are prioritised which enables Management to focus more time, effort and resources on higher risk areas.

To mitigate the risks it is confronted with, Management implements control activities by establishing policies and appropriate procedures such as approvals, authorisations, segregation of duties, reconciliations and physical safeguards.

In addition, the Risk Management Section reports quarterly to the Audit Committee, Management and council on progress made to mitigate the top ten risks.

The 2017/2018 Municipal Risk Management Assessment was conducted internally by Risk Management personnel, in terms of section 5(4) (a) (i) of the MFMA. The top ten risks, both residual and inherent risks, were identified and submitted to the Management Committee, Audit Committee, Portfolio Committee, Executive Committee and Council for monitoring and mitigation. In addition to that the Municipality prepared the Risk Register for the Municipal Standards Charts of Accounts (mSCOA).

The Municipality managed to mitigate most of the risks in the year under review and those which were not fully mitigated and are continuous in nature were referred to 2018/2019 for further close monitoring and mitigation.

In order to engage in this process the Council adopted the following policies on the **29<sup>th</sup> May 2017**:

- Anti-fraud and corruption policy;
- Whistle blowing policy;
- Risk management framework;
- Risk management policy;
- Fraud response plan;
- Fraud risk management strategy;
- Fraud prevention policy;
- Matrix of roles and responsibilities

These policies were workshopped to all employees in the month of December 2017 so as to acquaint them with abilities to minimise risks associated with their area of operations and curb any fraud and corruption in the process. The Whistle blowing policy will assist in ensuring that employees know the protocol when reporting alleged fraud and corruption in the workplace.

The analysis of the Main Risk register after the end of the financial year resulted in the following as per Municipal Department:

- 2.6.1.1 Office of the Municipal Manager;
- 2.6.1.2 Budget and Treasury Office (Finance);
- 2.6.1.3 Corporate Services;
- 2.6.1.4 Planning, Development and Human Settlement;
- 2.6.1.5 Technical and Infrastructure Services;
- 2.6.1.6 Community and Social Services; and
- 2.6.1.7 Public Safety and Emergency Services
- 2.6.1.8 Municipal Standards Charts of Accounts (mSCOA).

#### 2.6.1.1 Office of the Municipal Manager

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Action in Progress (e)	% Implementation $(\text{column d})/(\text{column c}) \times 100$
1.	Critical	0	0	0	0	0%
2.	Major	9	9	2	7	22%

3.	Moderate	2	2	2	0	100%
4.	Minor	1	1	1	0	100%
5.	Insignificant	7	7	7	0	0%
<b>TOTALS</b>		<b>19</b>	<b>19</b>	<b>12</b>	<b>7</b>	<b>63%</b>

#### Highlights of the Major risks areas:

- Lack of resources (vehicles) especially Public Participation Office to cover all wards in the Municipality;
- Limited budget to fill vacant positions;
- Limited budget to fund sports programmes.

#### 2.6.1.2 Budget and Treasury Office (Finance)

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Action in Progress (e)	% Implementation (column d)/(column c) X 100
1.	Critical	0	0	0	0	0%
2.	Major	6	6	0	6	0%
3.	Moderate	3	3	3	0	100%
4.	Minor	0	0	0	0	100%
5.	Insignificant	7	7	7	0	100%
<b>TOTALS</b>		<b>16</b>	<b>16</b>	<b>10</b>	<b>6</b>	<b>63%</b>

#### Highlights of the Major risks areas:

- Revenue collection;
- Asset Management;
- Procurement of goods and services; and
- Municipal Valuation.

#### 2.6.1.3 Corporate Services

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Action in Progress (e)	% Implementation (column d)/(column c) X 100
1.	Critical	0	0	0	0	0%
2.	Major	3	3	3	0	100%
3.	Moderate	2	2	2	0	100%
4.	Minor	0	0	0	0	0%
5.	Insignificant	15	15	15	0	0%
<b>TOTALS</b>		<b>20</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>100%</b>

**Highlights of the Major risks areas:**

- Information and Communication Technology (ICT)

**2.6.1.4 Planning, Development and Human Settlement**

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Progress (e)	Action in	% Implementation (column d)/(column c) X 100
1.	Critical	4	4	0	4		0%
2.	Major	7	7	1	6		14%
3.	Moderate	2	2	1	1		50%
4.	Minor	0	0	0	0		0%
5.	Insignificant	0	0	0	0		0%
<b>TOTALS</b>		<b>13</b>	<b>13</b>	<b>2</b>	<b>11</b>		<b>15%</b>

**Highlights of the Major risks areas:**

- SMMEs/Co-ops development and sustainability;
- Business development and retention;
- Implementation of radical socio-economic transformation; and
- Human Settlement projects.

**2.6.1.5 Technical and Infrastructure Services**

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Progress (e)	Action in	% Implementation (column d)/(column c) X 100
1.	Critical	0	0	0	0		0%
2.	Major	2	2	1	1		50%
3.	Moderate	1	1	0	1		0%
4.	Minor	1	1	1	0		100%
5.	Insignificant	2	2	2	0		100%
<b>TOTALS</b>		<b>6</b>	<b>6</b>	<b>4</b>	<b>2</b>		<b>67%</b>

**Highlights of the Major risks areas:**

- Loss of revenue due to electricity theft;
- Projects not completed in due time;
- Inadequate maintenance of infrastructure, property and equipment ; and
- Inadequate network capacity to accommodate new connection at medium voltage.

**2.6.1.6 Community and Social Services**

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Progress (e)	Action in	% Implementation (column d)/(column c) X 100
1.	Critical	1	1	0	1		0%
2.	Major	3	3	0	3		0%
3.	Moderate	3	3	1	2		33%
4.	Minor	0	0	0	0		0%
5.	Insignificant	0	0	0	0		0%
<b>TOTALS</b>		<b>7</b>	<b>7</b>	<b>1</b>	<b>6</b>		<b>14%</b>

**Highlights of the Major risks areas:**

- Shortage of burial space especially in Colenso and Ekuvukeni;
- Illegal dumping and picking of waste at the landfill site; and
- Vandalising of community facilities.

**2.6.1.7 Public Safety and Emergency Services**

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Progress (e)	Action in	% Implementation (column d)/(column c) X 100
1.	Critical	1	1	0	1		0%
2.	Major	0	0	0	0		0%
3.	Moderate	0	0	0	0		0%
4.	Minor	0	0	0	0		0%
5.	Insignificant	0	0	0	0		0%
<b>TOTALS</b>		<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>		<b>0%</b>

**Highlights of the Major risks areas:**

- Radio coverage for the entire Municipal area.

**2.6.1.8 Municipal Standards Charts of Accounts (mSCOA)**

National Treasury introduced the new Regulations proposing segments and classification for the standard charts of accounts to be applied in local government in similar form as applied to provincial and national government. All municipalities in South Africa were expected to transact on SCOA as from the 1<sup>st</sup> July 2017.

In order to mitigate risks associated with the implementation of these standard charts of accounts (SCOA), the Municipality has prepared the Risk Register to be updated on a regular basis as the identified risks are mitigated.

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans Progress (e)	Action in	% Implementation (column d)/(column c) X 100
1.	Critical	1	1	0	1		0%
2.	Major	11	11	0	11		71%
3.	Moderate	9	9	3	6		33%
4.	Minor	0	0	0	0		0%
5.	Insignificant	0	0	0	0		0%
<b>TOTALS</b>		<b>21</b>	<b>21</b>	<b>3</b>	<b>18</b>		<b>14%</b>

#### Highlights of the Major risks areas:

- Inadequate onsite support from System vendor;
- Adaptation to the new system by users;
- Insufficient budget to procure all modules;
- ICT network capacity to meet demand;
- Unidentified deposits in the system which will result in the audit query

The Alfred Duma Local Municipality's Municipal Manager, as an Accounting Officer, appointed a Risk Committee to deliberate on risk management issues within the Municipality and sits as follows:

Table: Risk Management Committee Meetings

Quarter	Targeted No. of Meetings	No. of Meetings Held	Reasons for not Achieving Target	Corrective Measure
1	3	28 July 2017 18 August 2017 6 September 2017	N/A	N/A
2	3	6 October 2017 24 November 2017	The meeting did not sit in December due to summer recess	All meetings will be scheduled before December recess
3	3	26 January 2018 28 February 2018	No quorum for meeting scheduled for March 2018	Departments were informed about the absenteeism of their representatives
4	3	4 May 2018 22 June 2018	No quorum in meeting scheduled for April 2018	Departments were informed about the absenteeism of their representatives

## 2.7 Anti-corruption and fraud

### Legislative Requirements

*Municipal Systems Act (MSA) Act no. 32 of 2000, Section 83 (c) requires providers to be chosen through a process which minimizes the possibility of fraud and corruption.*

Alfred Duma Local Municipality subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent fashion. Consequently Alfred Duma Local Municipality is committed to fight fraudulent behaviour at all levels within the organisation.

Alfred Duma Local Municipality has the following policy and strategy to respond to fraud and corruption viz. Anti-fraud and corruption strategy and Whistle blowing policy. This policy and strategy has been workshoped to staff members and councillors.

In addition, all fraud and corruption will be investigated and followed up by the application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Alfred Duma.

It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate manager as per the Whistle Blowing Policy. The policy protects employees against any victimisation as a result of reporting alleged fraud and corruption.

All managers are also responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to the Municipal Manager. The Municipal Manager will initiate an investigation into the matter.

There were no fraud and corruption matters reported during the course of the year under review.

### 2.7.1 Fraud Risk Register

Over and above the general Risk Register prepared by the Municipality, there was a need to formulate a Register solely for the detection of fraud and corruption. The Register is also assessed as to whether the Action Plans to mitigate risks identified were fully implemented during the course of the financial year.

No	Magnitude (a)	Number of Risks (b)	Total Action Plans (c)	Action Plans completed (d)	Risk Plans in Progress (e)	% Implementation (column d)/(column c) X 100
1.	Critical	2	2	2	0	100%
2.	Major	7	7	5	2	71%
3.	Moderate	0	0	0	0	0%
4.	Minor	0	0	0	0	0%
5.	Insignificant	0	0	0	0	0%
<b>TOTALS</b>		<b>9</b>	<b>9</b>	<b>7</b>	<b>2</b>	<b>78%</b>

#### Highlights of the Major risks areas:

- Supply Chain Management;
- Illegal electricity connections;
- Stock theft; and
- Divulging of Council's critical information for personal gain.

## 2.8 Supply Chain Management

### (a) Definition

Supply chain management may be defined as “the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof”.

### (b) Supply Chain Management Policy Objectives

- (1) Is transparent, efficient, equitable, competitive, and cost effective for the municipality,
- (2) Applies the highest ethical standards,
- (3) Promotes local economic development,
- (4) Assists in the delivery of quality service to the municipality’s customers,
- (5) Promotes interest and confidence in the municipality’s procurement processes and other related processes, and
- (6) Gives effect to and complies with relevant legislation, regulations and standards.

Performance Objectives	Key Performance Indicator	Actual
<b>Compliance Indicators</b>		
<b>Comply with SCM Regulations - Reg 6: Submit a quarterly report on implementation of the SCM policy to the mayor and make report public</b>	Quarterly report submitted to the Mayor within 10 days of the end of each quarter?	YES
	Annual report made public?	YES
<b>Comply with statutory reporting Requirements</b>	100% of reporting requirement met	YES
<b>Ensure that all service providers are accessible for the municipality</b>	Annual update of the supplier list by inviting new suppliers to register completed before end of March?	YES
<b>Ensure that all service providers comply with tax clearance certification</b>	Daily verification that tax clearance certificates are included with all formal and informal tenders?	YES
Keep the supply chain management policy relevant and up to date	<b>Annual review of SCM Policy completed by end of May?</b>	<b>YES</b>

### (a) Employees: Supply Chain Management

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 – 10	16	12	4
11 – 14	3	1	2
15 – 18	1	1	0
<b>Total</b>	20	14	6

### (b) Financial Performance: Supply Chain Management

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
<b>Employees</b>			
<b>Other</b>	203454		177484.47

### (c) Supply Chain Management Planning

The Municipal departments have developed their Annual Procurement Plans which are linked to the annual budget and will be consolidated into a single Procurement Plan for the Alfred Duma Local Municipality.

### (d) Bid Documents

The Municipality utilises bid documents as prescribed by National Treasury. General and Special Conditions of contract and Municipal Bid Documents are always part of the bid document. The municipality is in the process of having the Standard for Infrastructure Procurement and Delivery Management (SIPDM) being approved by Council

### (e) Comment on the performance of Supply Chain Management overall

The performance of this unit during the 2017/2018 financial year was convincing. Service delivery objective was the driving factor. All the goods and services that were requested as per the procurement plan that was approved by the Council were delivered.

### Challenges

SCM unit is not fully flashed unit due to vacant positions that are caused by the budget constraints.

### Proposed solution

Council to prioritise filling all posts within the unit in phases.

### 2.9 By-laws

By- laws are the laws that governs the town. All by-laws need to be gazetted on the government gazette however there is a process that needs to be followed before they are gazetted. The process is as follows:

- First the by-law needs to be approved by council.
- After it has been approved by council, it need to go for public comments.
- After the public comments the by-law needs to go back to council for final approval
- After is has been approved by council the by-law may be sent to the government printing works to be gazetted.

The Alfred Duma Local municipality has gazetted 15 Bylaws which are as follows:

Revised	Public Participation conducted prior to Adoption of by-law?	By-law Gazetted?	Date of Publication
Standing Rules and Orders of Council and its committee Bylaw	Yes	Yes	29/06/2017
Cemetery and Crematoria Bylaw	Yes	Yes	29/06/2017
Electricity Supply Bylaw	Yes	Yes	29/06/2017
Fire Brigade Bylaw	Yes	Yes	29/06/2017
Property Rates Bylaw	Yes	Yes	29/06/2017
Waste Management Bylaw	Yes	Yes	29/06/2017
Building Control Bylaw	Yes	Yes	29/06/2017
Municipal Pound Bylaw	Yes	Yes	29/06/2017
Parking Management Bylaw	Yes	Yes	29/06/2017
Outdoor Advertising Bylaw	Yes	Yes	29/06/2017
Landfill Site (Refuse Disposal) Bylaw	Yes	Yes	29/06/2017
Nuisance and Behaviour in Public places Bylaw	Yes	Yes	29/06/2017
Credit Control and Debt Collection Bylaw	Yes	Yes	29/06/2017
Stormwater Management Bylaw	Yes	Yes	29/06/2017
Spatial Planning and Land Use Management Bylaw	Yes	Yes	09/03/2017

The Standing Rules of Council and it's Committees have been translated into IsiZulu and the section is now in a process of translating the remaining 14 By-laws.

### Comments on by-laws

By-laws are passed by the Council to regulate the affairs and the services it provides within its area of jurisdiction. A municipality derives the powers to pass a by-law from the Constitution of the Republic of South Africa, which

gives certain specified powers and competencies to local government as set out in Part B of Schedule 4 and Part B of Schedule 5 to the Constitution.

## 2.10 Websites

### (a) List of Publications

Municipal Documents Published	Yes/No
Current annual and adjustments budgets and all budget-related documents	Yes
Budget-related policies	Yes
The previous year's annual report	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act and resulting scorecards	Yes
All supply chain management contracts above a prescribed value (R100 000)	Yes

The Municipality has a communication strategy informed by SONA, SOPA, SODA, SOMA, IDP, NDP and NCS, NPS for alignment purposes. The strategy embraces the overall approach of government's mandate which is the 5 plus 2 priorities, i.e. Health, Education, Safety & Security, Land Reform & Rural Development, Job Creation, Infrastructure Development and Basic Services. Our communication strategy was developed within the electoral cycle of five (5) years ending in 2020, however it is reviewed annually in order for it to be relevant in dealing with the changing environment.

The general public perception is positive largely due to the successful merger of the Indaka Municipality and Emnambithi/Ladysmith Municipality, however there are certain constituencies where the municipal citizens are not satisfied particularly with service delivery backlogs in rural development.

Through the Municipal Rapid Response, we have addressed many service delivery protests emerging from the shortage of water. However the municipality has done well in the provision of electrification in some rural wards.

Within the municipal constituency there is a community radio station, Nqubeko FM

The majority of the municipal citizens listen to UKHOZI FM, NQUBEKO FM, IGAGASI FM and EAST COAST RADIO

Municipal Notices and adverts are published local using the Ladysmith Gazette Newspaper.

We also have the Ladysmith Herald newspaper which is free to communities and offers balanced stories.

We publish news through the community newspapers known as INHLOSO YESIZWE and Uthukela Eyethu which publish in IsiZulu.

Our Municipal Communication objectives include among many the following:

- To improve the image of the municipality both internally and externally
- To communicate progress and share insights into the impact of these programmes/ services on the lives of the communities
- Operation Clean Audit, Good Governance and responsive local government
- Create a platform for growth, empowerment and skills development
- Re-affirm those communities with backlogs that development is underway
- Encourage public participation and community ownership of programmes run by the municipality
- Alignment of the municipal programmes with other Departments and the District, including Sukuma Sakhe to eradicate poverty, inequality and underdevelopment
- To actively account and participate in various legislated and progressive communication forum

On Intergovernmental Relations, the Municipality has maintained good relations with various stakeholders namely:

- Business sector
- Professionals
- Traditional leaders
- Religious leaders
- Ratepayers
- Ward Committees
- Youth Forums
- Civil Society Groups
- The Public Transport Forum

Many of our engagements with the various stakeholders were facilitated by the District Communicators Forum and Intergovernmental Relations Forum where all stakeholders meet and discuss issues affecting the community, whether rural/urban.

The Municipal Website is functional and is updated regularly.

### **2.11 Public Satisfaction on Municipal Services**

According to community survey conducted the financial year 2017/2018, only 65% of the community is happy with the services rendered by the municipality. In order to satisfy the remaining portion of 35% the municipality should strengthen its community participation programmes and collective engagement of community on issues relating to service delivery.

The municipality should provide adequate and fully capacitated human resources to enable effective service delivery. Throughout the survey it has become clear that human resources are not adequate and this has impacted negatively on service delivery. It is, therefore, recommended that the municipality should consult with communities about services that would be delivered to them so that communities could have input on how these services should be delivered. This will encourage them to pay for their services and also to participate in other government and municipal activities when they know that their input is valued.

### **2.12 Municipal Oversight Committee Meetings**

During the 2017/2018 financial year under review, the following number of Council oversight meetings were held:

<b>Structure</b>	<b>No. of Meetings</b>
<b>EXCO</b>	13
<b>Special EXCO</b>	7
<b>Council</b>	12
<b>Special Council</b>	4
<b>Municipal Public Accounts Committee (MPAC)</b>	11
<b>Special Municipal Public Accounts Committee (MPAC)</b>	1
<b>Audit Committee</b>	4
<b>Special Audit Committee</b>	2
<b>Finance Portfolio Committee</b>	12
<b>Special Finance Portfolio Committee</b>	2

### Chapter 3: Service Delivery Performance

#### 3A. Focus on Service Delivery

#### 3.1 Municipal Manager Department

##### 3.1.1 PERFORMANCE MANAGEMENT

Performance Management has been established and is functional. The overall responsibility of the unit is to assist Council members of Alfred Duma Local Municipality in discharging their responsibilities relating to the safeguarding of assets and the operation of adequate and effective systems.

The Municipality has an effective performance management system implemented at top and middle management levels. Service delivery and client service are monitored on a monthly basis and evaluated formally on a quarterly basis. Monthly and quarterly reports are submitted to Council Committees.

##### 3.1.2 INTERNAL AUDIT SECTION

The Alfred Duma Local Municipality has an Internal Audit Unit which has been fully functional for the financial year under review.

The Internal Audit function is in house and not out-sourced to an external service provider and is fully funded from the municipality's operational budget.

The roles and responsibilities of the Internal Audit Unit is set out in Section 165 of the Municipal Finance Management Act, Act No. 56 of 2003 as follows: -

The Internal Audit Unit must -

- (a) Prepare on an annual basis a risk-based audit plan and an internal audit programme for each financial year;
- (b) Advise the accounting officer and report to the Audit Committee on the implementation of the internal audit plan and matters relating to:
  - (i) Internal audit
  - (ii) Internal controls
  - (iii) Accounting procedures and practices
  - (iv) Performance management
  - (v) Risk and risk management
  - (vi) Loss control
  - (vii) Compliance with MFMA, Division of Revenue Act (DORA) and any other applicable legislation.
  - (viii) Safeguarding of assets.
  - (ix) Appraisal of the economy and efficiency with which resources are employed.
- (c) Perform other such duties as may be assigned to it by the Accounting Officer.

The Internal Audit Unit is accountable for the annual audit plan and functionally reports directly to the Audit Committee and administratively to the Accounting Officer.

In terms of the Annual Risk Based Internal Audit Plan the **key focus areas** included:

KEY FOCUS AREAS	SCOPE
<b>AUDIT OF PERFORMANCE MANAGEMENT SYSTEMS, IDP, AND SDBIP</b>	<ul style="list-style-type: none"> <li>- Review compliance of the IDP, SDBIP and Performance Agreements in terms of activity, content and timeframes</li> <li>- Review compliance of the KPA's and KPI's in terms of the SMART principles</li> </ul>

	<ul style="list-style-type: none"> <li>- Review performance contracts (linked to IDP) for all Executive Directors and the Municipal Manager;</li> <li>- Review the link between PMS, IDP, SDBIP and Budgets;</li> <li>- Review credibility of POE files;</li> <li>- Conduct physical verification of projects.</li> </ul>
<b>RISK BASED AUDITS AND STATUTORY AUDITS</b>	
Review of Risk Management and Assessment	<ul style="list-style-type: none"> <li>- Review of Risk and Control Identification and Assessment</li> <li>- Review of Risk Management Strategy</li> <li>- Review of Risk Management Methodology</li> </ul>
2016/2017 Financial Statement Review	<ul style="list-style-type: none"> <li>- Review Accounting Policies and compliance with GRAAP</li> <li>- Ensure that the AFS agrees to the Trial balance and General Ledger</li> <li>- Perform review of financial statements for validity, accuracy and completeness</li> <li>- Review working paper file and ensure that it agrees to information on the AFS, TB and GL</li> </ul>
2017/2018 Mid-term Financial Statement Review	<ul style="list-style-type: none"> <li>- Review Accounting Policies and compliance with GRAAP</li> <li>- Ensure that the AFS agrees to the Trial balance and General Ledger</li> <li>- Perform review of financial statements for validity, accuracy and completeness</li> <li>- Review working paper file and ensure that it agrees to information on the AFS, TB and GL</li> </ul>
Audit Supply Chain Management	<ul style="list-style-type: none"> <li>- Review daily procurements</li> <li>- Review tender process</li> <li>- Review contract register and contract payments</li> <li>- Review compliance with SCM policy, SCM Regulations and MFMA Circular 68</li> </ul>
Audit Creditors and Expenditure Management	<ul style="list-style-type: none"> <li>- Review Creditors Age Analysis</li> <li>- Review Cheque Age Analysis</li> <li>- Review the Loan Register</li> <li>- Review Refund Payment processes</li> <li>- Perform review of payment vouchers for validity, accuracy and completeness</li> </ul>
Audit Debtors and Revenue Management	<ul style="list-style-type: none"> <li>- Review debit raising processes for main services rendered (rates, electricity, refuse)</li> </ul>

	<ul style="list-style-type: none"> <li>- Review debit raising processes for sundry services rendered</li> <li>- Review Debtors Age Analysis</li> <li>- Review Indigent Database</li> </ul>
Audit Asset Management	<ul style="list-style-type: none"> <li>- Review monthly asset reconciliations</li> <li>- Ensure asset reconciliation balances to general ledger and trial balance</li> <li>- Review fixed asset register</li> <li>- Test for existence of assets</li> <li>- Review depreciation calculations</li> <li>- Review compliance with GRAAP</li> </ul>
Audit Payroll Management	<ul style="list-style-type: none"> <li>- Review new appointments</li> <li>- Review employee's exiting the system</li> <li>- Review Overtime Payments</li> <li>- Review Standby allowances</li> <li>- Review Housing &amp; Third Party payments</li> <li>- Review Staff deductions</li> </ul>
Audit Suspense Accounts and Processing of Journals	<ul style="list-style-type: none"> <li>- Review all suspense accounts on the financial system and check the validity and accuracy thereof</li> <li>- Review Journal Register</li> <li>- Review the validity and approval of journals</li> <li>- Review that adequate supporting documentation are maintained</li> </ul>
Audit Cash, Bank and Bank Reconciliations	<ul style="list-style-type: none"> <li>- Review all cash and receipting processes</li> <li>- Review the bank reconciliations</li> <li>- Ensure that all reconciling items are valid and have adequate supporting documentation</li> <li>- Ensure that the bank reconciliation agrees to the bank statements, bank confirmations, and to the financial system</li> </ul>
Audit of the adjustments budget 2017/2018	<ul style="list-style-type: none"> <li>- Ensure that all compliance requirements are met</li> <li>- Review budget for validity, accuracy and completeness</li> </ul>
Audit of the budget 2018/2019	<ul style="list-style-type: none"> <li>- Ensure that all compliance requirements are met</li> <li>- Review budget for validity, accuracy and completeness</li> </ul>
Audit of Grants and Project Management	<ul style="list-style-type: none"> <li>- Review the Grants Register</li> <li>- Recalculate balances and ensure that it agree to the Financial System</li> </ul>

	<ul style="list-style-type: none"> <li>- Ensure compliance with the expenditure process and SCM policy and SCM Regulations</li> <li>- Ensure compliance with all grant conditions</li> </ul>
Audit of Human Resource Management	<ul style="list-style-type: none"> <li>- Review of Recruitment Process</li> <li>- Review of Leave Management</li> <li>- Review of Training Process</li> <li>- Review of Employment Equity Plan</li> <li>- Review of IOD and Pension Claims</li> <li>- Review compliance with HR Policies</li> </ul>
Audit of Electricity Losses	<ul style="list-style-type: none"> <li>- Verify, recalculate, validate and analyse the electricity losses reported by comparing the electricity purchased from the Eskom Accounts to the electricity sales</li> <li>- Review processes in place to reduce losses</li> </ul>
Audit of Inventory Management	<ul style="list-style-type: none"> <li>- Attend Quarterly Stock Counts</li> <li>- Observe Stock Count Procedures</li> <li>- Test for existence of Stock Items</li> <li>- Confirm quantity of stock items from physical stock to bin cards</li> <li>- Confirm quantity of stock items from bin cards to the financial system</li> </ul>
Audit of Electricity Meter Reading function	<ul style="list-style-type: none"> <li>- Review meter reading process</li> <li>- Review process for capturing of readings</li> <li>- Review consumption charges</li> <li>- Review consumer account</li> </ul>
Audit of Connections Disconnections	<ul style="list-style-type: none"> <li>- Review process for new connections</li> <li>- Review process for disconnections</li> </ul>
Audit of Building Control & Illegal Structures	<ul style="list-style-type: none"> <li>- Review process for plan approvals</li> <li>- Review process for building inspections</li> <li>- Review process for illegal structures</li> </ul>
Audit of Waste Management / Landfill Site	<ul style="list-style-type: none"> <li>- Review of Waste Management Process</li> </ul>
Audit of Real Estate & Housing Section	<ul style="list-style-type: none"> <li>- Review process for Disposal of Property</li> <li>- Review process for Purchase of Property</li> <li>- Review process for Rental of property</li> <li>- Review process for Lease of property</li> </ul>

	- Review administration of Housing Projects
<b>ADHOC REVIEWS</b>	
Special Requests & Investigations	- At the request of the Municipal Manager, the Audit Committee, or MPAC certain special assignments / projects were undertaken
<b>AUDITOR GENERAL</b>	
Co-ordination of 2016/2017 external audit process	
Follow-up on 2016/2017 Auditor General Queries	

For each audit conducted, an Audit Report was compiled clearly outlining the scope of work, areas of risk, observations and findings, and recommendations.

### **AUDIT COMMITTEE**

#### **RESPONSIBILITIES**

The Audit committee has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA) and clause 14(2) (a) of the Municipal Planning and Performance Management Regulations of 2001. The Audit Committee's work is guided by the Audit Committee Charter and has discharged all its responsibility as contained therein.

**Refer to the Draft Annual Report of the Audit Committee (See Annexures)**

#### **3.1.3 YOUTH DEVELOPMENT**

After having made various interventions to conceptualize and advance Youth Development since the dawn of democracy in 1994, a review on Youth Development indicates that despite much effort that has been made the challenges of developing young people remain mammoth (Huge), the fact that the majority of this young people hail from the previously disadvantage black communities.

**Our main target are as follows:**

- 18-35 years old
- School-aged-out -of- School aged
- Skilled and unskilled
- Youth in Business
- Youth in conflict with law
- Youth heading household
- Youth in Rural Areas
- Young Woman
- Youth with disabilities
- Youth with HIV and Aids

**Key Performance Areas are:**

- **Local Youth Services and Social Cohesion:** where we promote Youth Social Dialog and create opportunities for young peoples to serve their communities through Youth Indaba, which always take place every year early December, Youth Day Commemoration, Young Woman's Indaba and Heritage Day Celebration.

- **Economic Participation:** We enhanced the participation of young people in the economy through targeted and integrated programmes, like in 2017/2018 the Youth Development Office working together with National Youth Development Agency (NYDA) able to assist young people of Alfred Duma Local Municipality to open their own business and conducted mentorship on Youth in Business which in total has benefited more than 10 (ten) and 30 who has received training Certificates from NYDA. The Youth Development Office has currently in a process of financial grant applications of 17 registration fees and (3) three full funding, while the Youth Development Office embarked in an Integrated program with one of the progressive youth agency that is under National Government National Youth Development Agency (NYDA) through a flashed office of NYDA District Service Centre which will be dealing directly with all services of NYDA and free wire-fi.
- **Training and Development:** The Youth Development Office promote, facilitate and provide training and development opportunities to young people in order to enhance their socio-economic wellbeing. on 2017/2018 financial year, Youth Development office able to work together with District Municipality (UTHUKELA) and Department Environmental Affairs which accommodate 131 learners in various wards within the municipality, Youth Mass Skilling programme which the Youth Development Office recruited 40 graduates who are placed in various departments within the municipality which is our annual programme in ensuring that young people are getting exposed in the working environment in a period of 12 months, Capacity Building Workshop, for Unemployed Graduates and Youth Job-seekers, by giving them necessary skills to seek jobs and empower themselves.
- **Youth Advisory and Information Services:** The Youth Development Office ensures that there is access for youth information about various interventions aimed at improving the living conditions of young people, including information and career guidance services for young people. Since 2017/2018, has assisted more than 10 000 young people with access to information such as providing services with internet, career guidance and exhibition, science expo and conduct youth mass meetings, as per the Local Government Municipal Systems Act of 2000, about public participation, the establishment of the youth forums in all 36 wards which are functioning, the Youth Development Office also facilitates the functioning of 17 Youth NGO's and NP'O's within the municipality and further to that , while the office assist more than 5000 young people for CV writings, interviews and job applications every year.

### Our main Objectives

- To integrate Youth Development into the main stream of government
- To enable young people of Alfred Duma Local Municipality to develop the knowledge, skills and ability needed for them to make a healthy transition to adulthood
- To give all young people of Alfred Duma Local Municipality a means out of long term unemployment, by providing them with tangible opportunities which increase their chances of accessing economy.

### Programmes within the Youth Development Office for 2017/2018

Programme	Targeted Youth	Wards	Achieved or Not
Top 50 Matric Mayoral Awards	Learners from high schools	All	Achieved
Learning Grant-In-Aid	First Year Students	All	Achieved
Youth Indaba	Youth Structures	All	Achieved
Youth Day Commemoration 16	All youth under Alfred Duma	All	Achieved
Uniform School Distribution	Learners from High School	25, 31, 08 and 14	Achieved

### **3.2 Development Planning & Human Settlement Department**

#### **3.2.1 TOWN PLANNING**

##### **Introduction**

The main elements of our planning strategies lies in spatial planning and land use management principles. Both these documents have been completed and can easily be used in evaluating development applications. All land use applications whereby the total process is an internal one and whereby no objections have been received within the public participation are finalised within 90 days. The Town Planning Section assists the Building Control Section to such an extent that all town planning matters are clarified before building plans are officially submitted to the Building Control Division.

##### **(a) Employees: Planning, Valuation**

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 – 10	09	04	5
11 – 14	07	02	8
15 – 18	01	01	0
Total	17	07	13

##### **(b) Financial Performance: Planning, Valuation**

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Employees	2 918 940	2 989 661	3 150 610.05
Repairs and Maintenance	5 004	5 004	4958.87
Other	N/A	N/A	N/A

##### **(c) Comment on Planning, Valuations and Building Control overall**

The Department of Development Planning and Human Settlement: Town Planning Section has worked tirelessly in trying to rationalize planning systems and procedures in order to respond to challenges currently faced by the community. The Section has reviewed the Spatial Development Framework in-house. To protect agricultural land and the environment and promote socio-economic development in rural areas and control land usage in the urban areas the municipality has initiated a process of developing a single Scheme Land Use Scheme for the whole of Alfred Duma Local Municipality with the assistance of the Department of Cooperative Governance and Traditional Affairs that transferred R1 000 000.00 to the municipality for the development of a Single Land Use Scheme. A total of R279 440.00 was spent on the project due to delays experienced when the Traditional Leaders were engaged and requested that all SPLUMA processes be halted on all TLB land until the Provincial House of Traditional leaders makes a decision on whether SPLUMA Schemes can be approve on TLB land. Having adopted and gazetted the Spatial Planning and Land Use Management Bylaw the Department has been implementing the Spatial Planning Land Use Management Act and structures put in place as per the requirements of SPLUMA.

**3.2.2 HUMAN SETTLEMENT****(a) Employees: Human settlement**

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 - 10	20	8	12
11 - 14	12	5	7
15 - 18	1	1	0
Total	33	14	19

**(b) Financial Performance: Human Settlement**

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Buildings	R180 000.00	R180 000.00	R23 580.00
Furniture & Office Equipment	R100 000.00	R100 000.00	R62 368.41
Printing & Stationery	R50 000.00	R50 000.00	R1600.00
Conference & Delegations	R100 000.00	R100 000.00	R18 420.87
Overtime	R39 996.00	R39 996.00	R39 996.00
Protective Clothing	R20 000.00	R20 000.00	R4000.00
Advertising	R100 000.00	R100 000.00	R1605.36

**Overview**

The Human Settlements Section is required to manage and control the administrative requirements associated with Housing and land matters by co-ordinating Housing Programmes or Project Deliverables in terms of the IDP and Housing Sector Plan and other National, Provincial and Municipal policies.

Preparing comprehensive reports, including presenting recommendations for consideration of policy matters and implementation, monitoring and maintaining performance levels within the section in order to ensure that the section is positioned to sustain the delivery of high quality services in accordance with approved policies, performance indicators and council's mission and vision incorporating the portrayal of the council's image.

**Key issues for 2017/2018**

The following projects were identified and are currently being implemented:

Project Name	Erven	Progress
Housing rectification programme	199	The contractor has been appointed and they are finalising the NHBRC application.
Acaciavalle phase II Housing Projects	1000	The IA has submitted application pack for submission to the DoHS
Roosboom Housing Projects	1000	The IA has submitted application pack for submission to the DoHS
St Chads Housing Projects	500	The IA has submitted application pack for submission to the DoHS

Limit Hill	200	The IA has submitted application pack for submission to the DoHS
Ezakheni Housing Projects	1000	The IA has submitted application pack for submission to the DoHS
Colenso Housing	4000	The IA has submitted application pack for submission to the DoHS
Ezakheni C Housing Project	150	The IA has submitted application pack for submission to the DoHS
Colenso Housing Project	100	The IA has submitted application pack for submission to the DoHS
Acaciavalle Housing Project	250	The IA has submitted application pack for submission to the DoHS
Acaciavalle phase I Housing project	1000	The IA has submitted application pack for submission to the DoHS
Stimela D Housing Project	400	The IA has submitted application pack for submission to the DoHS

### RECTIFICATION PROJECTS

PROJECT NAME	ERVEN	PROGRESS
Housing rectification programme	199	The contractor has been appointed and they are finalising the NHBRC application.
Ezakheni C 624	585	50 Houses have been constructed.
Steadville 770	678	IA has been appointed and they are in the process of establishing site.

### PROJECTS AT IMPLEMENTATION STAGE

PROJECT NAME	ERVEN	PROGRESS
Umbulwane Area H	505	Stage 2 of the project has been completed. Awaiting for stage 3 approval.
2012 Storm Damage Phase II	2205	111 houses have been repaired.
Umbulwane Phase 1 and 2		Project is moving very slowly as the IA is not on site once the contract expires council will re-advertise.
Colenso/ Nkanyezi Emergency Housing Projects	81	6 houses have been constructed
Colenso/ Mgazini	71	4 houses have been constructed. Contract has expired, in process of advertising for a new IA.

### LAND SALES

The Land section holds land auctions on a monthly basis to afford potential bidders to purchase land within the Alfred Duma municipal jurisdiction. During the 2017/2018 financial year a total of 29 were sold.

### LEASE AGREEMENTS

During the 2017/2018 financial year 16 lease agreements were concluded.

**3.2.3 LOCAL ECONOMIC DEVELOPMENT AND TOURISM****LOCAL ECONOMIC DEVELOPMENT**

“LED is defined as an on-going process by which stakeholders and institutions from all spheres of society, the public and private sector as well as the civil society, work jointly to create a UNIQUE advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms (Trah, et al 2007)”.

The LED Section exists within the Department of Development, Planning and Human Settlements. There is an approved organogram for the unit.

**TOURISM, MUSEUMS, ARTS AND CULTURE**

The key performance area for this section is the preservation and promotion of heritage, arts and culture, management of the Museums (Siege Museum, R.E. and Stevenson Museum as well as promoting Ladysmith as a preferred tourism destination. It extends also to management of Tourist Information Office which provides tourism information, historical information, telephonic information and general information.

There is an LED and Tourism Manager who reports directly to the Executive Director of the Department (DPHS). The LED & T Manager is responsible for the execution of the strategic issues of the entire LED & Tourism Unit. The two Assistant Managers are responsible for the LED and Tourism Sections respectively and report directly to the LED & T Manager. Their function is to ensure that all operational related-matters are effectively and timeously executed.

The five (5) LED Officers are responsible for developing strategic initiatives and support to execute their respective programs. The Project Facilitators / Coordinators are responsible for the day-to-day implementation and support of LED Projects. The five (5) drivers are designated for agricultural support and report directly to the LED Officer – Agricultural Support. The Tourism Officer, Museum Assistant Curator, 2 X Museum Liaison Assistants and Museum Help and 1 field worker are further responsible for the promotion of tourism within the Alfred Duma Local Municipality jurisdiction, development of art and culture, and preservation of heritage.

**MEC’s Comments on 2014/2015 IDP**

We note the 2014/2015 MEC’s comments on the LED Chapter saying:

‘Thank you for the reference made to the LED Strategy, although it has not been reviewed recently. I note that the LED Strategy has no clear alignment with provincial priorities. When it is reviewed you are encouraged to take into cognizance of the Provincial Growth and Development Plan and the District Growth and Development Plan.’

We further note the 2017/2018 MEC’s comments on the LED Chapter raising the following issues:

1. Outdated Local Economic Strategy
2. IDP 2017-2018 mentions the existence of Informal Economic Policy but not attached.
3. No Investment Strategy developed for the municipality
4. Improve on Development and maintenance of SMM’s data base

**Progress made to address MEC Comments**

1. The Alfred Duma Local Municipality Economic Development Strategy will be adopted by Council in July 2018.
2. The Informal Economic Policy was reviewed in 2016.
3. The Development and maintenance of SMME data base is work in progress and currently for there are 300 registered SMME’s and 165 Cooperatives. The Database is further shared with the Municipal Supply Chain Unit to achieve the Preferential Procurement processes

In this financial year the LED Chapter has addressed the MEC comments by ensuring that it reflects the alignment of the LED Provincial and District Growth and Development Plan. It should be noted that in 2016 since the LED Strategy was adopted in 2017, it is now being prioritized as one sector plan that is being implemented as the amalgamated document for KZN 238 Municipality called Alfred Duma.

## **POLICY REGULATORY ENVIRONMENT**

The LED has implemented the Policy on subcontracting guided by the Preferential Procurement Act with was enacted during the month of April. The 30% local Procurement of local enterprises and co-operatives is adhered to through Supply Chain Processes for the main contractor of the Tender that is more than one million thresholds

- A payment to SMME's in the micro category within seven (7) days of receipt of an approval of invoice. All other payments to be made within fourteen (14) days.
- The MOU is entered with any of the Developer, retail shop, investor that is establishing it's self within the jurisdiction of Alfred Duma Municipality which will stipulate the percentage local recruitment, the local business and co-operative beneficiation, the Social Responsibility contribution and practices.
- Creation of the exclusive local database to implement the sub-contracting clauses as well as the development benefits to small business development programs like Contractor Development Program (CDP). This secondary Database which is currently managed by the SCM Unit for the implementation of the Preferential Procurement Policy directives is one of the key critical game-changer towards the implementation of the Radical Socio-Economic Program (RASET) as piloted by the KZN Provincial Government through "Operation Vula"
- The Incentive Policy with various incentive tags for various size of the investment to be undertaken by that particular investor or retail shop

The above amendments mentioned policies have been affected in 2017/18 subject to the Council approval. The Section will need assistance in the implementation of this policy so that they are properly aligned with the other SCM Policies.

The current informal Economy Policy was drafted but not submitted to council upon the advice from KZN EDTEA of the outstanding issues subject to the finalization of the KZN Business Bill

Furthermore, the section hosts a number of events that are tourism, heritage and cultural related. These events encompass programmes which are aimed at generating local economic development and promotion of arts and culture such as the Establishment of the Ladysmith Black Mambazo Indigenous Music Academy.

The following provides a report on activities/ programmes of the section for the 2017/2018 financial year.

The report is presented on quarterly basis in line with the Key Performance Indicator for the section as per the Service Delivery Budget Implementation Plan. The report further reports on additional programme and activities carried out within the section.

The key objective for the section is to facilitate the development of art and culture and preservation of heritage (Key performance indicator: development and implementation of cultural events plan) measured by the number of events held throughout the year. An annual target on 21 events was set for the 2017/2018 financial year. A total number of 21 events were held during this financial year.

### **Quarter 1**

Various events were held during the first quarter which included the monthly concert in the park aimed to promote local artist in all kinds of music and dance in Emnambithi/Ladysmith area creating a platform for different genres of music. Other events aimed at promoting the rich and diverse heritage of the Ladysmith area were also held during this quarter which included, the outreach programmes whereby school are visited and taught on themes such as "Women's Month, Heritage Month etc. Musical competition was also held and these incorporated the

exhibition of arts and craft work by local crafters. The following events were held during the first quarter:

1. Concert in the Park: 14 July 2017 (Burford Community Hall)
2. Concert in the Park: 28 July 2017 (Mcitsheni Community Hall)
3. Isicathamiya Competition: 19 August 2017 (Ladysmith Town Hall)
4. Outreach Programme: 23 August 2017 (Van Reenen Primary School)
5. Outreach Programme: 24 August 2017 (Colenso Combined School)
6. Concert in the Park: 1 September 2017 (Lister Clarence Gardens)
7. Outreach Programme: 21 September 2017 (Etholeni Shopping Centre)

### **Quarter 2**

The second quarter consisted several of events which were planned to assist upcoming artists to generate income in form of exhibiting different products which are produced locally. The exhibition comprised of the following; Sewing, Weaving, Upholstery, Beadwork, Bricklaying, Embroidery, Woodwork and Gardening services, Fruits and Vegetables etc. Also, the events consisted of entertainment by local artists and included; Maskandi, Hip Hop, Comedy, Drama, Dance and Gospel

1. Yenza Festival: 13 & 14 October 2017 (Van Reenen Community Hall)
2. Annual Holiday: 6 December 2017 (In Front of Siege Museum)
3. Flea Market Day: 8 December 2017 (Lister Clarence Gardens)

### **Quarter 3**

In an intention to promote arts and culture as well as to assist local performers receive recognition of their skills and talent during the 3<sup>rd</sup> quarter, these concerts were held.

1. Concert in the Park: 2 February 2018 (In front of Siege Museum)
2. Concert in the Park: 23 March 2018 (Tsakane Community Hall)

### **Quarter 4**

Various events were also held during the 4<sup>th</sup> quarter. These events were aimed promoting, educating learners and the community at large about the importance of preserving history and heritage. Various Partners were brought in to coordination and hosting the all the events held during the 4<sup>th</sup> quarter namely; Department of Arts and Culture, Ziveze Youth Forum, Department of Education, and various local stakeholders. The following events were held during the 4<sup>th</sup> quarter:

1. Outreach Programme: 18 April 2018 (St Chads High School)
2. Outreach Programme: 25 April 2018 (Wittekleinfontein Primary School)
3. Outreach Programme: 4 May 2018 (Siphimfundo High School)
4. Outreach Programme: 22 May 2018 (St Chads Thusong Centre)
5. International Museum Day: 23 May 2018 (Ladysmith Correctional Services)
6. Concert in the Park: 1 June 2018 (Lister Clarence gardens)
7. Outreach Programme: 15 June 2018 (Ezakheni Park)
8. Uthukela Exhibition & Open Mic Session: 29 June 2018

*Below: Highlights of the events for the 2017/2018 Financial Year*



### 3.2.4 PLANNING AND DEVELOPMENT

#### (a) INTRODUCTION

This municipality has approved its new Spatial Development Framework (SDF). This document sets out broad principles for future developments, as well as where such developments can take place within the demarcated urban boundaries of all areas. All land use planning applications being evaluated against the broad principles before recommendations for decision making be made.

#### (b) PLANNING, VALUATIONS AND BUILDING CONTROL

The main elements of our planning strategies lies in spatial planning and land use management principles. Both these documents have been completed and can easily be used in evaluating development applications. All land use applications whereby the total process is an internal one and whereby no objections have been received within the public participation are finalised within 90 days.

With regards to building control a performance indicator of 30 days has been set to finalise and/or approved building plans.

The Town Planning Section assists the Building Control Section to such an extent that all town planning matters are clarified before building plans are officially submitted to the Building Control Division.

**(c) Applications for Built Environment**

Subdivision			Zone		Building Plans	
Application Category	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year
Planning application received	Planning application received				285	277
Applications outstanding at year end	Applications outstanding at year end				39	76
Applications withdrawn	Applications withdrawn					01
Total	Total				324	354

**(d) Employees: Building Control**

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 - 10	Admin Clerk and Junior Building Inspector	2	Nil
11 - 14	Building Inspector	2	Nil
15 - 18	Manager Building Control	1	Nil
<b>Total</b>		<b>5</b>	

### **3.3 TECHNICAL AND INFRASTRUCTURAL SERVICES DEPARTMENT**

#### **3.3.1 ROAD TRANSPORT**

##### **3.3.1.1 PROCLAIMED ROADS, STREETS AND STORMWATER**

**(a) Introduction**

#### **ROADS**

The road network in Alfred Duma Local Municipality comprises 586.69km of gravel roads and 305.360km of permanently surfaced roads. Block paving are 13.31km and 2.7km of unclassified roads.

Addressing the backlog in gravel roads remains a major focus area. For the next financial year, Alfred Duma Local Municipality has taken a strategic decision to increase the spending on infrastructure maintenance.

The Municipality has prepared Five (5) year maintenance plans for the Road Infrastructure and approximately R350 Million is required.

The Gravel Road Maintenance Plan involves working one month per annum in each of the municipal wards to address backlogs and maintain existing gravel roads. Roads are constructed in-house making use of Councils plant and equipment's.

Disruptions to the programme are encountered due to equipment aging and skills shortage however annual targets are always met.

In terms of tarred roads, potholes are patched, base failures are repaired preventive maintenance is undertaken in terms of chip and spray, slurry seal and overlays.

Storm water systems are maintained using high pressure jetting and there is a programme in place for cleaning of drains, addressing damaged catch pits, repairing kerbs and channels etc.

## STORMWATER

The storm water drainage network in urban areas in the Alfred Duma municipal area comprises a piped system and open drainage channels. The drainage system is in a fair condition with some instances of poor conditions. There are still some areas where there are no formal drainage networks and this causes flooding during summer. The upgrading of roads however contributes to the addressing of this backlog as storm water drainage is installed together with the construction of roads. This will be completed in the next financial year through Disaster Recovery Grant received from COGTA.

The misuse of the storm water system remains a matter of concern. Blockages that cause flooding regularly occur due to alien matter entering drainage pipes. Maintaining and cleaning the system is an ever-increasing expense and effort.

### (b) Kilometres Gravel Road Infrastructure

New Gravel Roads Constructed	Gravel Roads Upgraded to Tar	Gravel Roads Graded /Maintained
8 KM	6.334 KM	7.12 KM

### (c) Kilometres Tarred Road Infrastructure

New Tar Roads	Existing Tar Roads Re-tarred	Tar Roads Maintained
6.334 km	5km	2.12km

### (d) Kilometres Storm water Infrastructure

New Stormwater Measures	Stormwater Measures Upgraded	Stormwater Measures Maintained
2163m	2004	7735.9m

### (e) Cost of Construction/Maintenance – Roads

Gravel - Tar	Gravel Maintained	Tar Maintained
R 4 512 665 .66	R10 494 725.37	R 10 494 725 .37

### (f) Cost of Construction/Maintenance – Storm water

New Stormwater Measures	Upgraded Stormwater Measures	Maintained Stormwater Measures
R 4 389 743.75	R 2 641 020.55	R 6 733 964,87

**(g) Streets and Storm Water Objectives**

Performance Objectives	Key Performance Indicator	Target	Actual
Maintain current condition of gravel roads and storm water	Kilometres of roads and storm water maintained	51	75
	Amount allocated for roads and storm water in terms of depreciated value of assets made available on the annual budget for upgrading and refurbishment	R 18 008 746.00 R 5 996 899.00	R15 007 391.03 R 6 733 964.87

**3.3.2 Electricity Services**

An amount of R 8 514 093 is budgeted for from the equitable share for Free Basic Electricity

13 194 number of consumers receiving 50kwh of free basic electricity.

The cost to Municipality for the free basic electricity is R 7 703 448.84

The Municipality has implemented Schedule 5B Electrification projects in the following areas:

Pepworth Ward 14 and 137 connections electrified. The budget amount is R4 261 491.00 which was funded by DOE.

Bongampisi Ward 35 and 94 connections electrified. The budget amount is R3 438 509.00 which was funded by DOE. Completion date 12/06/2018.

Spandikron Ward 32 and 29 connections electrified. The budget amount is R1 734 960.00 which was funded by DOE. Completion date 12/06/2018.

Burford Ward 14 and 69 connections electrified. The budget amount is R4 300 000.00 which was funded by DOE. Completion date 12/06/2018.

Cremin Ward 24 and 64 connections electrified. The budget amount is R3 000 000.00 which was funded by DOE. Completion date 27/06/2018.

Limehill Ward 35 and Stanford Ward 34 and 149 additional connections electrified. The budget amount is R 5 000 000.00 which was funded by DOE. Is 95% complete. The contractor is currently busy with the following: Planting of poles (completed 113 x 7m poles and 122 x 5m poles). Stringing (completed 2920m of ABC). Stringing (completed 1800m of Airdac). Installation of LV Stays (88 completed). Installation of LV Pole Boxes (70 completed). Excavation.

Public Lighting Projects were implemented in St Chads Ward 7, 6 High Mast lights were installed. The budget amount is R1 500 000.00. St Chads Ward 27, 6 High Mast Lights were installed. The budget amount is R1 500 000.00. Completion date 14/02/2018.

Public Lighting Projects were implemented in Kleinfontein Ward 19 and 6 High Mast Lights were installed. The budget amount is R1 500 000. Completion date 26/06/2018.

Public Lighting Projects were implemented in Eringini (Watersmeet) Ward 18 and 70 street lights were installed. The budget amount is R1 500 000.00. Completion date 31/05/2018.

Public Lighting Projects were implemented in Bluebank Ward 26 and 70 street lights to be installed. The budget amount is R1 500 000.00. Not achieved. The previous contractor completed the following: 1910.5m of conductor strung. 53 x poles planted. 9 x strut poles planted. 19 x stay wires installed.

**3.4 PUBLIC SAFETY AND EMERGENCY SERVICES DEPARTMENT****3.4.1. TRAFFIC AND LAW ENFORCEMENT SERVICES (INCLUDING LICENCING AND REGISTRATION SERVICES)****(a) Introduction**

Road safety programs assist motorists and pedestrians to act proactively and to change negative behaviour towards road safety. The risk of accidents was reduced through visibility and road safety educational programs.

**(b) Traffic Policing and By-law Enforcement**

Category		Previous Actual (16/17)	Year Number	Current Year Actual (17/18)
Number of law-enforcement officers in the field on an average day		27		27
Number of law enforcement officers on duty on an average day		27		27
Number of by-law infringements attended	Stray Animals	198		129
	Notices Issued	356		314
	Complaints	77		306
Number of road traffic accidents during the year (Ladysmith, Steadville and Ezakheni Areas)		1539		1422

**(c) Traffic Policing and By-law Enforcement Policy Objectives**

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>Compliance Indicators</b>				
Provide an effective traffic and law enforcement service	Number of vehicle check points held per annum	600	1896	Target Achieved for Vehicle Check points to enable law enforcement and increase safety as well as prevent loss of life.
	Number of by-law operations held	Ongoing	Ongoing	Awareness operations were held to in respect of educating the community regarding by-laws and their responsibilities in respect of compliance.
	Number of roadblocks held per annum	12	31	Target Achieved for planned Road Blocks with SAPS, RTI or other role players to enable law enforcement and increase safety as well as prevent loss of life.
Ensure proper monitoring of the Client Service Charter	% of motor registration and licensing cases handled within a required time frames	100%	100%	This section consists of testing of candidates for learners and drivers Licenses to determine their proficiency and issuing of law enforcement and is

				<b>subject to the supply vs. demand concept of the community.</b>
Report to council regularly	Monthly report submitted?	<b>Yes</b>	<b>Yes</b>	<b>Monthly reports are submitted</b>

The following key performance indicators are measured on quarterly basis. Key performance Indicators are the following:

The safety of all road users is of great importance to the Alfred Duma Local Municipal Department Public Safety and Emergency Services and therefore all efforts are made to ensure the safe and free flow of traffic in and around Alfred Duma Local Municipality. Regular high visibility patrols are conducted. Point duty by traffic officers are conducted at certain problematic locations in the mornings.

- **Foot patrols:** Officers engage in both routine (as specified by the operational law enforcement plan) and random foot patrols. This has greatly assisted in regard to management and deterrence of illegal trading, parking violations, and other offences.
- **Roadblocks:** Due to high visibility and alcohol law enforcement during planned roadblocks in conjunction with other role players (e.g.: SAPS, RTI) Traffic Law Enforcement has managed to achieve a marked decrease in motor vehicle accidents during festive periods. The significant amount of drunken driving arrests made by officers serves as an extreme deterrent to motorists who are likely to drink and drive. In this manner the Department Public Safety and Emergency Services has effectively utilized roadblocks as a tool to prevent loss of life and promote road safety.
- **By-law enforcement:** By-Law officers respond to complaints from the public in regard to health hazards, illegal dumping, stray animals, noise disturbances and other matters. These officers then educate the offenders and make efforts to rectify the source of the problem. By-Law officers liaise with other municipal sections in cases where their assistance is required to resolve an issue and follow up until the resolution of the matter. By-Law officers held operations in respect of educating the community regarding by-laws and their responsibilities in respect of compliance therewith.
- **Vehicle check points (VCP):** Officers utilized vehicle check points to target specific offences (e.g.: not wearing seatbelts, talking on a cellular phone whilst driving) as well as to check for the roadworthiness of vehicles. When officers address these traffic violations it urges motorists to refrain from committing the same offence in future. This resulted in more motorists using their seatbelts, refraining from using a cellular phone whilst driving and ensuring that their vehicles were in good working condition. In turn, this prevents the loss of life due to driver negligence and ensures road safety.
- **Driving and learners' licenses:** Officers regularly check for the validity of driver's licence in order to assess if the driver is authorized to drive the vehicle that they are operating. These checks guarantee a decrease in motorists who are likely to operate a vehicle without a valid licence. This is vital, as unlicensed drivers are more likely to pose a hazard to themselves and other road users. The dedicated licence checks by officers therefore contributes to road safety and prevents loss of life on the road.

**(d) Employees: Law Enforcement Officers**

Salary Level (Task Grades)	Posts		Employees		Vacancies	
	By-Law	Traffic	By-Law	Traffic	By-Law	Traffic
05 - 10	4	22	4	20	0	2
11 - 14	1	4	1	2	0	2
15 - 18						
<b>Total</b>	<b>5</b>	<b>26</b>	<b>5</b>	<b>22</b>		<b>4</b>

### 3.4.2. FIRE FIGHTING SERVICES

#### (a) Introduction

Alfred Duma Local Municipality has a Fire Fighting Service consisting of **five (5)** full time fire officers and **Twenty (20)** working on fire-trained staff. The top service delivery priorities for the year under review were:

- Preventing the outbreak or spread of fires
- The saving of lives and property
- To react rapidly with the available resources to extinguish reported fires.

During the year under review, the Alfred Duma Local Municipal Fire Service reacted to **one hundred and seventeen (117)** fires and **twenty (20)** other incidents within the average turnout time especially within urban areas.

It should be noted that service delivery within the rural areas is still challenging.

Category	Previous Year Actual Number (16/17)	Actual Number (17/18)
Total fires attended in the year	105	<b>117</b>
Average turnout time - rural areas	30 Minutes	<b>30 Minutes</b>
Average turnout time - urban areas	15 Minutes	<b>15 Minutes</b>
Total of other incidents attended in the year	21	<b>20</b>

#### (b) Fire Service Policy Objectives

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>Compliance Indicators</b>				
Communicate Disaster Management Plan with relevant role-players	Number meetings held	1	<b>1</b>	Disaster Management Plan was perused and reviewed for adoption by the Alfred Duma Local Municipal Council
Compilation and annual review of the Disaster Management Plan	Compilation completed by 30 <sup>th</sup> June 2018	30 <sup>th</sup> June 2018	<b>Approved and Adopted by Council on the 28<sup>th</sup> June 2018 Resolution no: LC26/06/2018</b>	Plan will be adopted, implemented and constantly reviewed and assessed for betterment
Provide a quality firefighting service	Monthly inspection of vehicles and equipment done?	Yes	<b>Yes</b>	This is done on a bi-weekly basis as well as during random inspections.
	Number of vehicles not operational for more than 5 days during the month	0	<b>0</b>	This is checked on a bi-weekly basis as well as during

				random inspections.
	Complaints not sufficiently addressed within 5 days regarding firefighting services	0	0	All complaints were sufficiently addressed within 5 days.
Reduce fire risks through continuous public awareness	Number of educational / awareness campaigns	60	76	Fire Safety Lectures were also presented at schools within Alfred Duma Local Municipal across all 36 wards

### (c) Employees: Fire Services

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 - 10	4	4	
11 - 14	4	2	2
15 - 18			
<b>Total</b>	<b>8</b>	<b>6</b>	<b>2</b>

### 3.4.3. FLEET MANAGEMENT

The Fleet Section comprises of Assistant Manager: Fleet, one clerk, one superintendent and two mechanics that are responsible for more than two hundred Council owned vehicles. This shortage of manpower creates a challenge in terms of the turnaround time for the repairs of vehicles. Long turnaround times affect service delivery. More mechanics need to be employed.

Supply Chain delays are also a contributing factor in the increased turnaround time. Driver abuse results in the increased frequency that vehicles visit the workshop. Vehicle abuse is reported to the Municipal Manager for disciplinary action. Service level agreements are in place for the repairs and maintenance to Council's fleet.

Number of light vehicles received and attended to	<b>286</b>
Number of heavy vehicles received and attended to	<b>144</b>
Number of heavy plants received and attended to	<b>157</b>

## 3.5 COMMUNITY & SOCIAL SERVICES DEPARTMENT

### 3.5.1 PARKS, RECREATIONAL AREAS, SWIMMING POOLS AND CEMETERIES

#### (a) Introduction

Alfred Duma Local Municipality maintains and provide access to 18 sports facilities and 7 public swimming pools. These facilities cater for a variety of sporting codes including soccer, netball, swimming, cricket, rugby, tennis and volleyball. Theft of assets and vandalism of facilities is an area of major concern and constant security is required as a mitigation measure. Unfortunately full time security cannot be provided at all facilities due to the operational cost implications. The cost of the operation and maintenance of sport facilities remains a challenge as sport facilities at the previously under serviced (rural) areas do not generate enough income to cover the operation and maintenance expenditure. The other issue that requires additional funding is the sports infrastructure projects e.g. (E- Section swimming pool, KwaHlathi, Jonono and Nazareth sports fields) that were not finalised in terms of completion therefore presents a challenge in terms of maintenance and provision at this stage.

The Municipality provides burial services and maintenance to 5 cemeteries (established in terms of the KZN Cemetery and Crematory Act) as well as other cemeteries in the previously under serviced wards.

### (b) Parks and Recreational Areas and Swimming Pools Policy Objectives

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>Compliance Indicators</b>				
To maintain and provide access to sports and recreation facilities and promotion of healthy life style within the area of the Municipality jurisdiction	Number of recreational parks	8	8	All Parks are fully functional.
	Number of multi-purpose sports fields	18	14	<b>Nazareth</b> and <b>KwaHlathi</b> multi-purpose sports facilities not yet completed in terms of infrastructure, <b>Driefontein</b> vandalism and theft has resulted into almost 100% impairment and therefore the ground is only graded on request, <b>Acaciavalle</b> under reconstruction
	Number of swimming pools	7	7	The E- Section swimming pool closed mid-season due to the malfunctioning of the filtration system
	Gym facilities	4	4	3 x outdoor gym 1 x indoor gym

### (c) Employees: Parks and Recreational Areas and Swimming Pools

Salary Level (Task Grades)	Posts	Employees	Vacancies
03 - 10	42x permanent and 89 x job creation	28	1 x task grade 10 2 x Task Grade 7 1 x task grade 6 5 x task grade 5 20 x task grade 3
11 - 14	3 x permanent		2 x Task Grade 12
15 - 18			1 x Task Grade 16
<b>Total</b>	<b>134</b>	<b>28</b>	<b>32</b>

### (d) Financial Performance: Parks and Recreational Areas and Swimming Pools

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Employees	R 11 273 784.00		R 12 437 271.00
Repairs and Maintenance	R 470 448.00		R 624 862.00
Swimming pools	R 400 560.00		R 416 877.00
Cemeteries	R 240 000.00		R 165 000.00

### (e) Comment on the performance of sport, parks and recreational areas and swimming pools overall

The section is battling rampant and alarmingly growing levels vandalism in most facilities, shortage of admin and skilled staff as well as funds for maintenance, current drought conditions and water restrictions have a negative impact on the maintenance.

**3.5.2. COMMUNITY FACILITIES AND HALLS****(a) Introduction**

The Department of Community Services is responsible for the maintenance and provision of access to 37 community halls and 2 multi-purpose community across all Municipal wards.

**(b) Community Facilities and Halls Policy Objectives**

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>Compliance Indicators</b>				
Maintenance and provision of access to all Municipal halls in all wards	Number of community halls maintained and availed to public	64	37	Ward 1 to 37  The Municipality is only able to maintain 37 due to lack of resources (both human and equipment)
Maintenance and provision of access to multi-purpose centres	Number of multi-purpose centres maintained and availed to public	2	2	Colenso and Dronkvaal

**(c) Employees: Community Facilities and Halls**

Salary Level (Task Grade)	Posts	Employees	Vacancies
03 – 10	23 x permanent and 21 x job creation	44	1 x task grade 10 11 x task grade 6 29 x task grade 3
11 – 14			2 x task grade 12
15 – 18			
Total	44	44	41

**(d) Financial Performance: Community Facilities and Halls**

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Employees	R 1 391 628.00		R 1 360 130.00
Repairs and Maintenance	R 84 588.00		R 11 688.00

**(e) Comment on the performance of Town and community halls overall**

The section is battling an alarming growing level of vandalism in the facilities, shortage of staff.

**3.5.3 FUNCTIONALITY AND SUSTAINABILITY OF COMMUNITY SERVICE CENTRES****(a) Introduction**

The Alfred Duma Local Municipality has 5 (five) Community Services Centres (CSC) in the St Chads, Roosbom, Watersmeet, Ekuvukeni and Driefontein areas. Large numbers of people from these previously under-served communities make use of these facilities to access government and other related services. The location of the mini library at the Watersmeet CSC is one the municipality's highlights as it now has a Wi-Fi HOT SPOT.

Most municipal, sector department and non-profit organisation programmes that positively impact on these communities take place in these centres allowing local citizens to access services easily while saving on transport costs.

**(b) Employees: Functionality and sustainability of Community Services Centres**

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 – 10	2 x permanent and 6x general worker posts currently occupied by job creation workers	2	1 x task grade 6 5 x task grade 3
11 – 14			
15 – 18			
<b>Total</b>	<b>8</b>	<b>2</b>	<b>6</b>

**(c) Financial Performance: Community Services Centres (CSC)**

Operational Type	Expenditure	Original Budget	Adjustment Budget	Actual
Repairs and Maintenance		R 170 004.00	NIL	R 108 278-00
Other		NIL		

**(d) Comment on the performance of Community Service Centres overall**

- The Section's main objective is to improve and sustain functionality of the CSC's by among other tasks focusing on the building maintenance, quality utility infrastructure provision and maintenance, provision of safety and security etc.
- The section aims in to attract and invite sector departments, non-profit making organisations and bossiness sector to lease office space to provide amongst others:
  1. Government social and administrative services
  2. Office services
  3. Education skill development services
  4. Local Economic Development (LED) services
  5. Business services and community opportunities
  6. Information and communication activities
- Branding and marketing of community and social services available at the centre.
- An average of 5 000 people per month benefit from various service providers including the Central Chronic Medication Distribution Dispensary (CCMDD), Post Office, Home Affairs, SASSA, Labour and Youth Centre amongst others.

**3.5.4. LIBRARIES****(a) Introduction**

The Alfred Duma Local Municipality has six (6) libraries in its area of jurisdiction i.e. located in Ladysmith, Agra-Crescent, Colenso, Steadville, Ekuvukeni and Ezakheni operate from Monday to Saturday.

**(a) Libraries Objectives**

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>Compliance Indicators</b>				
Protect library material through consumer training	Number of annual consumer training programmes	22	22	The program is based on the demand from schools
Improving Membership	Number of new membership	800	1104	
	Number of school visits conducted	25	105	

**(b) Employees: Library Services**

Salary Level (Task Grades)	Posts	Employees	Vacancies
03 - 10	6 x permanent on Task Grade 3, 14x permanent on Task Grade 6, 4 x permanent on Task Grade 7 , 1 x permanent on Task Grade 8 and 6x permanent on Task Grade 10	31	
11 – 14	1x permanent on Task Grade 12	1	
15 – 18			
<b>Total</b>	<b>28</b>	<b>31</b>	

**(c) Financial Performance: Library Services**

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Employees	R 4 819 020.00		R 4 200 000.00
Repairs and Maintenance	R 18 060.00		R 5 000.00
Other			

**(d) Capital Expenditure: Libraries**

Project	Original Budget	Adjustment Budget	Actual Spent	Total Project Budget
Equipment: Libraries	NIL	NIL	NIL	NIL

**3.5.5. REFUSE REMOVAL****a) Introduction**

A weekly refuse removal service is available for all urban and rural totalling to 33 262 households with access to refuse removal. The challenge for clearing illegal dumping of household refuse are done on a daily basis. Whereas, clearing of illegal dumping of building rubble and garden refuse are removed and disposed monthly at Acaciavale landfill site.

**(a) Households Access to Refuse Removals**

<b>Number of Households with Access to Refuse Removals</b>	<b>33 262</b>
--	---------------

**(b) Refuse Removal Objectives**

Performance Objectives	Key Performance Indicator	Target	Actual	Comments
<b>1 General KPIs</b>				
<b>Access to refuse removals</b>	No. of households with access to weekly refuse removals	33262	33262	Refuse removal service is conducted as per schedule.
<b>Management of Landfill Site</b>	No. landfill site managed	1	1	
<b>Clearing of illegal dumping</b>	No. of awareness/ campaigns conducted	70	61	Lack of transport was the main challenge
	No. of school visits conducted		19	Lack of transport was the main challenge
	No. of bins installed in the CBD	148	148	Target achieved
	% of illegal dumping cleared	100%	75%	Vehicles/machinery -breakdowns

**(c) Employees: Refuse Removal**

Salary Level (Task Grades)	Posts	Employees	Vacancies
05 - 10	9	64	-
11 - 14	2	2	1
15 - 18	1	1	-
<b>Total</b>	<b>12</b>	<b>68</b>	<b>10</b>

**(d) Financial Performance: Refuse Removal**

Operational Expenditure Type	Original Budget	Adjustment Budget	Actual
Employees	R 9,769,236.00	R 0.00	R 11,313,899.00
Repairs and Maintenance	R 8,805,296.00	R 0.00	R 1,795,296.00
Other			

**(e) Capital Expenditure: Refuse Removals**

Project	Original Budget	Adjustment Budget	Actual Spent	Total Project Budget
Equipment: Refuse Removal	R 1,061,004.00	R 0.00	R 653,960.00	R 653,960.00
Equipment: Refuse bins, traps, skips	R 18,504.00		R 16,392.00	R 16,392.00

**3.6 Organisational Scorecard**

(See Annexure attached)

**Chapter 4: Organizational Development Performance****4.A Introduction to the municipal workforce**

Workforce expenditure is managed effectively, through regular budget control meetings to discuss expenditure and rectify any overspending. No appointments are made unless the posts are funded and vacant on the post establishment

Workforce management is a core function of each line manager in Alfred Duma Local Municipality. In order to ensure reasonable standardisation and consistency in the handling of the workforce, staff policies; procedures; and conditions of service are developed at a central level and are then implemented by line management.

**4.1 Employee totals, turnover and vacancies**

Total number of employees is 895 and number of vacant posts is 28

The vacancy rate is 3%

**4. B. Managing the municipal workforce****4.2 Policies**

The following HR Policies have been adopted at Council

LC 18/06/2018

- Acting Allowance Policy.
- Batho Pele Principles.
- Code of Conduct
- Code of Ethics
- Customer Care Policy
- Dress Code Policy
- Health and Safety Policy
- Overtime Policy
- Placement of Staff Policy
- Practical Experiential and Training Policy
- Standby Allowance Policy
- Capacity Building Policy –Municipal Councillors
- Capacity Building Policy for Employees
- The Promotion Recruitment and Selection Policy
- Employee Health and Wellness Policy
- Sexual Harassment Policy
- Disciplinary Policy
- Attendance and Punctuality Policy
- Leave Management Policy for Senior Managers
- Employment Equity Policy
- Language Policy
- Amendments to the Subsistence and Travel Policy

#### **4.3 Injuries, Sickness & Suspensions**

INJURIES	53
SICKNESS	6033
SUSPENSIONS	1

The above is covered in the Leave management policy and Disciplinary policy of Council.

#### **4.4 Performance rewards**

Performance bonuses are only paid to the deserving section 54/56 managers who were assessed by the Performance Evaluation Committee established by Council.

The following Managers are subjected to performance evaluations:

<b>EXECUTIVE DIRECTORS</b>
Municipal Manager
Executive Director: Corporate Services
Executive Director: Social and Community Services
Executive Director: Development Planning and Human Settlements
Executive Director: Finance (CFO)
Executive Director: Technical and Infrastructural Services
Executive Director: Public Safety and Emergency Services

#### **4.C Capacitating the municipal workforce**

##### **4.5 Skills Development & Training**

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

**AN AMOUNT OF R 1 500 000.00 WAS BUDGETTED AND AN AMOUNT OF R1 440 205.89 WAS SPENT IN THE 2017/2018 FINANCIAL YEAR**

The total number of Trainings conducted in 2017/2018 is 13 and 441 employees were trained.

#### **4.D Managing the workforce expenditure**

##### **4.6 Employee Expenditure**

Workforce management is a core function of each line manager in Alfred Duma Local Municipality. In order to ensure reasonable standardisation and consistency in the handling of the workforce, staff policies; procedures; and conditions of service are developed at a central level and are then implemented by line management.

Conditions of service of section 54/56 managers are based up on the regulations promulgated by the Minister of Cooperative Governance and approved by Council.

Conditions of service of staff below senior management level are negotiated at a central level by the National and Provincial divisions of the South African Local Government Bargaining Council (SALGBC) and, where relevant, at a local level between management and the representative unions SAMWU and IMATU.

## Chapter 5: Financial Performance

### Component A- Statement of Financial Performance

#### 5.1 Statements on Financial Performance

Refer to the Statement of Financial Performance in the Annual Financial Statements under Volume II (AFS). This is the first year of operation for Alfred Duma Local Municipality for a full financial year, therefore a comparative analysis is not applicable for this financial year. The municipality recorded total actual operating revenue of R860 085 249 for the 2017/2018 financial year against budgeted operational revenue of R854 119 829 (including capital grant income).

Own revenue formed 67% of the municipality's revenue base indicating that the municipality is not dependent on grant funding.

The highest source of income came from service charges which formed 39% of total revenue. Electricity income remains the major revenue contributor with revenue of R304 981 673 recorded. Revenue from Property rates formed 22% of actual revenue, whilst revenue from Government Grants and subsidies amounted to 33% of total actual revenue for the 2017/2018 financial year.

Expenditure for the 2017/2018 financial year amounted to R798 348 860 versus a budget of R917 444 814. The main reason for the shortfall was due to depreciation which was estimated to be much higher than the actual depreciation recorded, as a result of change in useful lives and assessment of assets.

Significant expenditure contributors were employee related costs amounting to 33% of total expenditure, whilst depreciation amounted to 16%, bulk purchases formed 27% of expenditure and general expenses amounted to 18% of total expenditure. Of the total expenditure R65 595 808 was spent on repairs and maintenance i.e. 9%.

The Municipality incurred a deficit of R20 005 884. The deficit can be attributed to a loss on the fair value adjustment of investment property of R82 503 550.

#### 5.2 Grants

Unspent grants amounted to R53 343 340 as at the end of the 2017/2018 financial year which comprises mainly of the Housing grant. Total grant allocations for the 2017/2018 financial year was R288 266 929 of which R222 728 429 was for operational grant allocations and R65 538 500 was for capital grants excluding the INEP grant allocation of R15 000 000. The Equitable share portion allocated to the municipality for the 2017/2018 financial year was R190 231 000.

#### 5.3 Asset Management

##### Assets and Inventory Management

- The *net book value* of the Alfred Duma Local Municipality assets is R1, 496, 002, 463.78.
- Of which R1, 479, 554 711.78 constitutes *non-current assets*, *inventories* or *current assets* are sitting at R16 447 752.

##### Depreciation

- The budgeted *net depreciation* amount is R174, 782, 933 of which R34, 084, 700 is funded and R140, 698, 233 is *unfunded* which suggests that if there are any asset failures, breakdowns or obsolescence, there will not be enough funds to replace such assets.

### Impairments

- The *value of impairment* to date is *R35, 612, 773.96* and we anticipate *impairments* for the current financial year to sit at *R2, 700, 000* as per the budget forecast based on previous year's historical financial records.

### Fuel Management

- Over the past four years, the municipality's fuel has been managed in-house. The current value of fuel to date is *R3, 422, 439.29*.

### Achievements

- The municipality has first time in history managed to conduct verification and conditional assessments in-house that was done by the external asset management consultants since 2008.
- In attempt to achieve the above, the municipality capacitated its own employees to undertake these technical responsibilities, although we are still further thriving to obtain landfill site rehabilitation provision expertise as this gap is still not bridged.
- The municipality managed to beef up the accounting team by appointing two (2) senior accountants to deal with technical asset accounting, although there was no budget to appoint them permanently during the 2017/2018 financial year but the long term plan is to retain them permanent within the 2018/2019 financial year as they are extremely critical posts and thus a huge savings for the municipality compared to the lucrative amounts that were paid to the external consultants for the past five (5) financial years.
- The professional Valuer to assess municipal buildings and revaluation of municipal land was also appointed during the 2017/2018, although an additional professional valuation team is still essential considering the number of properties after the merger that were added into the municipalities fixed asset register.
- The professional Land and Quantity Surveyors respectively for the sub-division of municipal land, costing and unbundling the existing municipal building components are the only outstanding technical skills gaps that need to be bridged within the next financial years by further allocating bursaries to internal capable and willing employees to obtain such skills in order to enhance the asset management function of the municipality.

### Challenges

- The filling station is currently not tarred and there is no shelter in cases of severe heat and heavy rain weathers.
- There is insufficient space to store obsolete and redundant assets before their sale date and this may result in high risk of theft and misplacements of such assets resulting to poor accounting records.
- The municipal central stored is not compliant with the Department of Labour Occupational Health and Safety requirements and an amount of about *R15 million*. Budget is required for extensions, partitioning and renovations to an existing building in order to fully comply, however an amount of *R2mil* within the 2018/2019 financial year's budget has been allocated to address the minor possible occupational health and safety requirements.
- The transportation of dangerous goods (fuel and lubricants) to remote sites where the municipality heavy plant and equipment is based was also a matter of attention by the Department of Labour of which was finally resolved, however this post was not budgeted for within the 2017/2018 financial year but the municipality the department of Budget and Treasury have identified savings to ensure that it is prioritised as one of the critical posts within the 2018/2019 financial year's adjustments budget.

**THREE MAJOR ACQUISITIONS FOR 2017/2018 FINANCIAL YEAR**

No.	DESCRIPTION	AMOUNT (Rands)
1.	Municipal Fleet	R9 998 458
2.	KwaCilo to Etholeni River - Road	R8 746 730
3.	Ward 3 Tarred Road	R8 157 464
<b>TOTAL</b>		<b>R26 902 652</b>

**5.4 Financial Ratios****Current Ratio:**

As at the 30<sup>TH</sup> June 2018 the value of current assets was R591 440 416 and the value of Current liabilities was R250 658 692. The current ratio was 2.36:1 as at the end of the 2017/2018 financial year. This is above the norm of 1.5 - 2:1 and means that the municipality is liquid and is able to pay off short term liabilities.

**Acid Test Ratio:**

The Acid Test ratio as at 30 June 2018 was 2.15:1 which is above the norm of 1:1.

**5B Spending against Capital Budget****CAPITAL EXPENDITURE**

The table below indicates the capital expenditure against the total budget

Description	Original Budget	Adjustment Budget	Actual
Construction of 1.8KMs Tarred Roads in Ward 3 by 30 June 2018			
Construction of (82m) Storm Water Drainage and 3 Crossings in Ward 3 by 30 June 2018	R 10 000 000	R 9 642 716	R 9 522 735.17
Construction of 1.7KMs of Tarred Roads Phase 1 in Ward 8 by 30 June 2018. (Roadbed, Subbase, G2 Base, Prime)	-	R 9 399 835	R 2 153 348.18
Construction of (680Ms) Storm Water pipes and 8 Crossings in Ward 8 by 30 June 2018			
Construction of 2.834KMs Tarred Roads Phase 1 in Ward 25 by 30 June 2018. (Rip and re-compact, Subbase, Base and Prime)			
Construction of (2834Ms) Storm Water Drainage channel and 3 Crossings in Ward 25 by 30 June 2018	-	R 10 000 000	R 4 418 832.71
Construction of 1 Community Hall Phase 2 in Ward 8 by 30 June 2018. (Brickwork, Plumbing, Electricity, masonry works and Plastering)	R 4 000 000	R 4 050 425	R 3 614 616.85
Construction of Burford Sportsfield (Ward 14), Phase 2 by 30 June 2018	R 2 000 000	R 1 809 011	R 1 358 825.83

Construction of 5.5KMs Ensongweni Gravel Road in Ward 28 by 30 June 2018			
Construction/ Laying of 16 Storm Water Pipes crossings and 3 Box Culverts Bridges in Ward 28 by 30 June 2018	R 6 000 000	R 5 191 323	R 5 076 562.48
Construction of 350Ms of Zimba Gravel Roads and 1 Bridge Phase 2 in Ward 29 by 30 June 2018 (Bridge Excavation, Bridge Foundations, River Diversion)	R 13 000 000	R 4 865 000	R 3 386 879.81
Designing of the Fitness Centre in Ward 20 by 30 June 2018	-	R 889 500	
Rehabilitation of current Landfill Site in Ward 20 and Identify another landfill Site by June 2018	R 4 249 000	R 500 000	R 434 782.61
Upgrading of 1 Community Hall in Ward 32 by 30 June 2018	-	R 1 000 000	-
Upgrade of 270m Storm Water pipeline in Circle Road and 150m Main Road Rehabilitation in Ward 20 by 30 June 2018	-	R 2 438 227	R 1 828 373.71
Construction of 2.5kms Tarred Road in KwaCilo to Etholeni River Road, Ward 33 by 30 June 2018			
Construction of (800Ms) Channel and 3 Pipe crossings Storm Water Drainage in KwaCilo to Etholeni River Road Ward 33 by 30 June 2018	R 8 000 000	R 7 855 375	R 8 618 746.57
Construction of 1 Mini Facility/Creche in Ward 4 by 30 June 2018	R 2 000 000	R 1 723 188	R 1 625 431.03
Construction of 30 Speed humps by 30 June 2018 in Wards 5,9,10,20,21 and 22	-	R 500 000	-

### 5.5 Capital expenditure

The total Capital Budget for the 2017/2018 financial year was R87 953 937. Grant funding amounted to 76% of the Capital Budget whereas Council's contribution was 24%. Total spending on the Capital Budget amounted to R78 690 252. This amounts to 90% of the total capital budget.

### 5.6 Source of finance

The municipality's grant funding amounted to 76% of the capital budget and 33% of the total revenue of the municipality. The municipality has 2 loans with an outstanding balance of R 6 745 273 at the end of the financial year.

### 5.7 Capital Spending on 5 largest Assets/Projects:

**Below is the highest expenditure on the capital budget for the 2017/2018 financial year:**

Municipal Fleet - R9 998 458

KwaCilo to Etholeni River – Road – R8 746 730

Tarred Road Ward 3 – R8 157 464

Tarred Roads in Ward 8 – R7 574 798

Tarred Roads Colenso – R 7 337 494

### **5.8 Basic Service and Infrastructure Backlogs**

Due to financial constraints the municipality cannot cater for all service delivery and infrastructure backlogs and therefore prioritises the backlogs within its available financial resources.

## **5C Cash flow Management & Investment**

### **5.9 Cash Flow**

The municipality had total cash and cash equivalents of R274 265 932 as at the end of the financial year. There was a net increase in cash and cash equivalents of R12 058 073 for the 2017/2018 financial year amounting to a 5% increase in cash and cash equivalents. Total receipts from operating activities increased by 11% compared to the prior year cash inflows. However payments on operating activities increased by 40%, resulting in a net decrease of 57% in net cash flows from operating activities compared to the prior year. Cash outflows for the purchase of property, plant and equipment amounted to R81 860 642.

### **5.10 Borrowing & Investments**

#### **Borrowings (Refer to Appendix A of the AFS)**

The municipality has 2 loans with an outstanding balance of R 6 745 273 at the end of the financial year. The loan with ABSA bank is at an interest rate of 9.1% with a balance of R3 807 767 outstanding at the end of the financial year and is in respect of the Tsakane Electrification project. The loan with DBSA is at an interest rate of 5% with a balance of R2 937 506 outstanding at the end of the financial year and is in respect of the former Indaka local municipality office buildings.

### **5.11 Public Private Partnerships**

This is not applicable to the municipality.

## **5D Other Financial Matters**

### **5.12 Supply Chain Management**

Covered above as 2.8

### **5.13 GRAP compliance**

The municipality keeps up to date with GRAP statements and finance officials are regularly sent on GRAP update courses. The Annual Financial statements for the 2017/2018 financial year have been prepared in accordance with GRAP.

## **6 AUDITOR'S GENERAL'S FINDING**

### **6.1 Auditor General Report (Previous Year)**

**Attached**

### **6.2 Remedial Action Taken (Previous Year)**

**Attached**

### **6.3 Auditor General Report (Current Year)**

### **6.4 Remedial Action Taken (Current Year)**

## **Volume II: AFS**

### **Annual Financial Statements (attached as Annexure)**

#### **7.1 Summary of Results by CFO**

**Refer to Chapter 5 on Financial Performance.**

#### **7.2 Financial Statements**

**Attached**



# **Financial Statements**

**FOR THE FINANCIAL YEAR ENDED**

**30 June 2018**

# Alfred Duma Local Municipality

Annual Financial Statements for the financial year ended 30 June 2018

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Members of the Council</b>	
Mayor	Mr M V Madlala
Deputy Mayor	Ms T Hadebe
Speaker	Mr T W Ngubane
Chief Whip	Mr TB Njapha
Member of the Executive Committee	Mrs A N Khanyile
	Mr L S Madinane
	Mr A Mchunu
	Ms S Z P Msibi
	Mr S Simelane
	Mr M R Suddaby
	Mr A S D Warasally
<b>Accounting Officer</b>	Ms S S Ngiba
<b>Chief Financial Officer</b>	Mr M Hloba
<b>Grading of local authority</b>	4
<b>Registered office</b>	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 <a href="mailto:mm@alfredduma.gov.za">E-mail: mm@alfredduma.gov.za</a>
<b>Postal address</b>	PO Box 29 Ladysmith Kwazulu-Natal 3370
<b>Bankers</b>	ABSA - Public Sector Banking
<b>Auditors</b>	Auditor-General of South Africa

# Alfred Duma Local Municipality

Annual Financial Statements for the financial year ended 30 June 2018

## Index

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

<b>INDEX</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Statement of Comparison of Budget with Actual Information	6
Accounting Policies	7 - 21
Notes to the Financial Statements	22 - 54
Appendices:	
Appendix A: Schedule of External Loans	55
Appendix B: Analysis of Property, Plant and Equipment	56
Appendix C: Statement of Budget and Actual Information	57
Appendix D: Segmental Statement of Financial Performance	58
Appendix E: Disclosures of Grants and Subsidies	59

## ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CSC	Community Service Centre
DOHS	Department of Human Settlements
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDTG	Municipal Demarcation Transition Grant
MFMA	Municipal Finance Management Act
NER	National Electricity Regulator
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
VAT	Value Added Taxation

# Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the financial year ended 30 June 2018

## Accounting Officer's Responsibilities and Approval

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

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

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

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

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Alfred Duma Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 1 to 59, which have been prepared on the going concern basis, and were approved by the Accounting Officer.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

  
Accounting Officer  
Ms S S Ngiba

31 August 2018

# Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the financial year ended 30 June 2018

## Statement of Financial Position

Figures in Rand	Note(s)	2018	2017 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	15	44 218 911	37 323 364
Receivables from Exchange Transactions	16	40 581 775	30 619 826
Receivables from Non-Exchange Transactions	17	159 095 077	116 693 223
VAT Receivable	8	15 586 938	16 435 376
Cash and Cash Equivalents	19	274 265 932	262 207 859
		<b>533 748 633</b>	<b>463 279 647</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	9	1 867 016 221	1 960 743 149
Intangible Assets	10	4 408 013	5 274 576
Investment Property	11	276 636 014	186 942 893
Heritage Assets	12	17 452 512	17 452 512
Non-Current Receivables from Exchange Transactions	14	15 414	15 414
		<b>2 165 528 174</b>	<b>2 170 428 544</b>
<b>Total Assets</b>		<b>2 699 276 807</b>	<b>2 633 708 191</b>
<b>Current Liabilities</b>			
Consumer Deposits	3	15 400 252	10 678 463
Provisions	4	2 743 444	1 298 695
Retirement Benefit Obligations	5	2 635 378	2 522 421
Trade and Other Payables	6	151 621 176	179 196 011
Unspent Conditional Grants and Receipts	7	53 391 026	25 110 353
Current Portion of Long-term Loans	2	579 003	534 661
		<b>226 370 278</b>	<b>219 340 604</b>
<b>Non-Current Liabilities</b>			
Long-term Loans	2	6 166 271	6 747 784
Provisions	4	59 549 364	53 254 095
Retirement Benefit Obligations	5	25 543 310	27 374 592
		<b>91 258 944</b>	<b>87 376 472</b>
<b>Total Liabilities</b>		<b>317 629 222</b>	<b>306 717 076</b>
<b>Net Assets</b>		<b>2 381 647 585</b>	<b>2 326 991 115</b>
<b>Net Assets</b>			
Housing Operating Account (HDF)	1	30 406 499	28 274 142
Accumulated Surplus		2 351 241 085	2 298 716 973
<b>Total Net Assets</b>		<b>2 381 647 585</b>	<b>2 326 991 115</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated (10 August 2016 to 30 June 2017)
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
Property Rates	20	174 536 032	121 762 227
Property Rates - Penalties / Interest		18 726 756	12 746 779
Fines		9 895 140	9 034 316
Licences and Permits		5 544 282	4 944 826
Government Grants and Subsidies	22	282 786 253	297 538 072
<b>Total revenue from non-exchange transactions</b>		<b>491 488 462</b>	<b>446 026 221</b>
<b>Revenue from exchange transactions</b>			
Service Charges	21	332 059 519	298 088 023
Rental of facilities and equipment		2 979 758	2 374 644
Interest Earned - External Investments and Other		15 236 453	15 029 028
Interest Earned - Outstanding Receivables		4 647 466	3 038 004
Other Income	33	5 363 872	6 398 831
<b>Total revenue from exchange transactions</b>		<b>360 287 068</b>	<b>324 928 530</b>
<b>Total Revenue</b>		<b>851 775 530</b>	<b>770 954 750</b>
<b>Expenditure</b>			
Employee Related Costs	23	259 032 032	212 482 749
Remuneration of Councillors	24	24 350 926	19 752 349
Bad Debts		42 188 639	49 695 461
Depreciation and Amortisation Expense		169 372 713	105 796 989
Finance Costs	25	513 446	499 466
Bulk Purchases	26	208 831 186	178 560 755
Contracted Services	27	34 242 732	22 456 168
General Expenses	28	148 133 719	132 438 747
<b>Total Expenditure</b>		<b>886 665 394</b>	<b>721 682 684</b>
<b>Operating surplus</b>		<b>-34 889 863</b>	<b>49 272 066</b>
<b>Other Gains / Losses</b>			
Gain / (Loss) on sale/disposal of assets		-5 817 036	-2 849 313
Gain / (Loss) on fair value adjustment		92 301 000	-6 553 388
Inventories: Write-down to net realisable value		273 983	-605 454
(Impairment Loss) / Reversal of impairment loss		486 076	-30 384 768
<b>Surplus / (Deficit) for the period</b>		<b>52 354 160</b>	<b>8 879 143</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Statement of Changes in Net Assets

Figures in Rand	Housing Operating Account (HDF)	Accumulated Surplus	Total Net Assets
<b>Opening Balance - 10 August 2016</b>	<b>26 681 074</b>	<b>1 770 013 525</b>	<b>1 796 694 599</b>
Adjustments to Opening Balance			
- Trade and Other Payables	-	12 754 921	12 754 921
- Receivables from Non- Exchange Transactions	-	11 675 697	11 675 697
- Inventories	-	-1 625 893	-1 625 893
- Investment Property	-	68 751 103	68 751 103
- Property, Plant and Equipment - Infrastructure	-	341 663 882	341 663 882
- Property, Plant and Equipment - Community	-	38 790 419	38 790 419
- Property, Plant and Equipment - Other	-	-19 144 372	-19 144 372
- Property, Plant and Equipment - Land	-	66 095 964	66 095 964
- Intangible Assets	-	-151 224	-151 224
<b>Opening Balance - Restated</b>	<b>26 681 074</b>	<b>2 288 824 021</b>	<b>2 315 505 095</b>
Surplus for the year	-	8 879 143	8 879 143
Other Transfers to Internal Funds	-	-	-
Transfer to Self-Insurance Fund	-	1 013 808	1 013 808
Transfer to Housing Development Fund	1 593 068	-	1 593 068
<b>Balance at 30 June 2017</b>	<b>28 274 142</b>	<b>2 298 716 973</b>	<b>2 326 991 115</b>
Surplus for the year	-	52 354 160	52 354 160
Other Transfers to Internal Funds	-	-	-
Transfer to Self-Insurance Fund	-	169 953	169 953
Transfer to Housing Development Fund	2 132 357	-	2 132 357
<b>Balance at 30 June 2018</b>	<b>30 406 499</b>	<b>2 351 241 085</b>	<b>2 381 647 585</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated (10 August 2016 to 30 June 2017)
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		461 539 093	402 313 991
Grants		328 666 601	309 043 920
Interest received		15 236 453	15 029 028
Other receipts		5 363 872	6 398 831
		<u>810 806 019</u>	<u>732 785 769</u>
<b>Payments</b>			
Employee costs		-283 290 354	-232 235 098
Suppliers		-434 259 276	-270 943 914
Interest paid		-513 446	-499 466
Other payments		-	-12 930 209
		<u>-718 063 077</u>	<u>-516 608 687</u>
<b>Net cash flows from operating activities</b>	<b>29</b>	<u><b>92 742 942</b></u>	<u><b>216 177 082</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-79 996 198	-185 537 874
Purchase of investment property		-	-
Purchase of intangible assets		-151 499	-792 422
Purchase of heritage assets		-	-
Proceeds on sale of assets		-	-802 632
		<u>-80 147 697</u>	<u>-187 132 927</u>
<b>Net cash flows from investing activities</b>		<u><b>-80 147 697</b></u>	<u><b>-187 132 927</b></u>
<b>Cash flows from financing activities</b>			
New loans raised/(repaid)		-537 172	-453 646
Finance lease raised/(repaid)		-	-
		<u>-537 172</u>	<u>-453 646</u>
<b>Net cash flows from financing activities</b>		<u><b>-537 172</b></u>	<u><b>-453 646</b></u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>12 058 073</b>	<b>28 590 509</b>
Cash and cash equivalents at the beginning of the period		262 207 859	233 617 350
<b>Cash and cash equivalents at the end of the period</b>	<b>19</b>	<u><b>274 265 932</b></u>	<u><b>262 207 859</b></u>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved Budget	Budget Adjustments (i.e. s28 & s31 of the MFMA)	Virements (i.e. Council Approved Policy)	Approved Final Budget	Actual	Variance Actual vs Final Budget	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
<b>Financial Performance</b>								
Property Rates	166 863 672	4 790 407	-	171 654 079	174 536 032	2 881 953	104.60%	101.66%
Property Rates - Penalties / Interest	5 569 068	14 167 473	-	19 736 541	18 726 756	-1 009 785	336.26%	94.88%
Services Charges	333 631 692	-1 912 503	-	331 719 189	332 059 519	340 330	98.53%	100.10%
Rental of Facilities and Equipment	2 787 636	254 615	-	3 042 251	2 979 758	-62 493	106.89%	97.95%
Interest Earned - External Investments	15 076 340	-1 364 731	-	13 711 609	15 236 453	1 524 844	101.06%	111.12%
Interest Earned - Outstanding Receivables	2 736 576	1 504 618	-	4 241 194	4 647 466	406 272	169.83%	109.58%
Fines	10 660 692	1 960 921	-	12 621 613	9 895 140	-2 726 473	92.82%	78.40%
Licences and Permits	6 047 124	-893 576	-	5 153 548	5 544 282	390 734	91.68%	107.58%
Transfers and Grants Recognised - Operational	212 960 000	9 768 429	-	222 728 429	220 037 253	-2 691 176	103.32%	98.79%
Other Income and Profit on Fair Value Adjustments	3 652 936	319 940	-	3 972 876	97 664 872	93 691 996	2673.60%	2458.29%
<b>Total Revenue (Excl. Capital Transfers &amp; Contributions)</b>	<b>759 965 736</b>	<b>28 595 593</b>	-	<b>788 561 329</b>	<b>881 327 531</b>	<b>92 746 202</b>	<b>115.97%</b>	<b>111.76%</b>
Employee Related Costs	274 251 828	-27 705	-17 000	274 207 123	259 032 032	-15 175 091	94.45%	94.47%
Remuneration of Councillors	24 739 116	193 178	-	24 932 294	24 350 926	-581 368	98.43%	97.67%
Bad Debts	37 662 072	16 421 769	-	54 083 841	42 188 639	-11 895 202	112.02%	78.01%
Depreciation and Amortisation Expense	69 531 072	105 251 861	-	174 782 933	169 372 713	-5 410 220	243.59%	96.90%
Finance Costs	492 756	18 777	-	511 533	513 446	1 913	104.20%	100.37%
Bulk Purchases	204 141 924	4 691 874	-	208 833 798	208 831 186	-2 612	102.30%	100.00%
Contracted Services	14 929 320	3 911 321	-977 900	17 862 741	34 242 732	16 379 991	229.37%	191.70%
Impairment Loss	1 943 316	756 684	-	2 700 000	-486 076	-3 186 076	-25.01%	-18.00%
Loss on Disposal of PPE	-	-	-	-	5 817 036	5 817 036	0.00%	0.00%
Inventories: Write-down to Net Realisable Value	-	-	-	-	-273 983	-273 983	0.00%	0.00%
Other Expenditure	155 150 886	3 384 763	994 900	159 530 551	148 133 719	-11 396 832	95.48%	92.86%
<b>Total Expenditure</b>	<b>782 842 292</b>	<b>134 602 522</b>	-	<b>917 444 814</b>	<b>891 722 370</b>	<b>-25 722 444</b>	<b>113.91%</b>	<b>87.20%</b>
<b>Surplus/(Deficit)</b>	<b>-22 856 556</b>	<b>-106 006 929</b>	-	<b>-128 863 485</b>	<b>-10 394 840</b>	<b>118 468 645</b>	<b>45.48%</b>	<b>8.07%</b>
Transfers Recognised - Capital	77 749 000	-11 607 273	-	66 141 727	62 749 000	-3 392 727	80.71%	94.87%
Contributions Recognised - Capital	-	-	-	-	-	-	0.00%	0.00%
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>54 892 444</b>	<b>-117 614 202</b>	-	<b>-62 721 758</b>	<b>52 354 160</b>	<b>115 075 918</b>	<b>95.38%</b>	<b>-83.47%</b>
<b>Capital Expenditure and Funds Sources</b>								
<b>Capital Expenditure</b>								
Transfers Recognised - Capital	77 749 000	-11 607 273	-	66 141 727	62 749 000	-3 392 727	80.71%	94.87%
Public Contributions and Donations	-	-	-	-	-	-	0.00%	0.00%
Borrowing	-	-	-	-	-	-	0.00%	0.00%
Internally Generated Funds	11 868 997	9 923 213	-	21 812 210	17 247 198	-4 565 012	145.07%	79.07%
<b>Total Sources of Capital Funds</b>	<b>89 637 997</b>	<b>-1 684 060</b>	-	<b>87 953 937</b>	<b>79 996 198</b>	<b>-7 957 739</b>	<b>89.24%</b>	<b>89.95%</b>

## **Accounting Policies**

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### **1. BASIS OF PREPARATION**

#### **1.1 BASIS OF PRESENTATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

#### **1.2 PRESENTATION CURRENCY**

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

#### **1.3 GOING CONCERN ASSUMPTION**

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

#### **1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of Comparison of Budget with Actual Information.

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

The financial statements comparative information in terms of revenue and expenditure for the previous financial period, is disclosed from the date of establishment of the Alfred Duma Local Municipality for the period 10 August 2016 to 30 June 2017.

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

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#### **2. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### **3. INTERNAL RESERVES**

##### **Self Insurance Reserve**

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services, taking into account, claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

#### **4. PROPERTY, PLANT AND EQUIPMENT**

##### **4.1 INITIAL RECOGNITION**

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

## Alfred Duma Local Municipality

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### Accounting Policies

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

#### 4.2 SUBSEQUENT MEASUREMENT – COST MODEL

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

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

#### 4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives: -

DETAILS	YEARS	DETAILS	YEARS
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	5 - 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Housing	30	Office Equipment	5 – 7
Stormwater	100	Furniture and Fittings	10
		Watercraft	15
<b>Community</b>		Bins and Containers	5 – 10
Buildings	10 – 50	Specialised Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Other Items of Plant and Equipment	5 – 15
Security	3 – 5	Landfill sites	15

## **Accounting Policies**

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

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

### **4.4 DERECOGNITION**

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

### **4.5 INCOMPLETE CONSTRUCTION WORK**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

## **5. INVESTMENT PROPERTY**

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

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

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

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

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

Where investment property is acquired at no cost or for a nominal cost, 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.

### **5.1 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.

## Alfred Duma Local Municipality

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### Accounting Policies

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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 fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

#### 6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

## **Accounting Policies**

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asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

<b>Item</b>	<b>Useful life</b>
Servitudes	indefinite
Software	3 years

### **7. HERITAGE ASSETS**

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

#### **7.1 INITIAL RECOGNITION**

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

#### **7.2 SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

#### **7.3 DEPRECIATION AND IMPAIRMENT**

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

#### **7.4 DERECOGNITION**

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

### **8. IMPAIRMENT OF ASSETS**

#### **8.1 CASH GENERATING ASSETS**

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

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

#### **8.2 NON-CASH GENERATING ASSETS**

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

## **Accounting Policies**

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

## **9. INVENTORIES**

### **9.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

### **9.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

#### **10. FINANCIAL INSTRUMENTS**

##### **10.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

##### **10.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

##### **10.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

##### **10.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

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

##### **10.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

---

amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **10.2.4 CASH AND CASH EQUIVALENTS**

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

#### **11. UNAUTHORISED EXPENDITURE**

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

#### **12. IRREGULAR EXPENDITURE**

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

#### **13. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **14. PROVISIONS**

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

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

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

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

#### **15. LEASES**

##### **15.1 Finance Leases – The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

##### **15.2 Operating Leases – The Municipality as Lessee**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

##### **15.3 Operating Leases – The Municipality as Lessor**

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

#### **16. REVENUE**

##### **16.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

## **Accounting Policies**

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Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

### **16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations 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

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

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qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

#### **16.3 GRANTS, TRANSFERS AND DONATIONS**

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

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and the revenue is only recognized in the Statement of Financial Performance once payments to the Implementing Agents are made upon handover of the houses to the beneficiaries.

#### **17. BORROWING COSTS**

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

#### **18. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **Other post-employment benefit obligations**

## **Accounting Policies**

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The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

### **19. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

#### **Trade Receivables**

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Provisions**

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

#### **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. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 5 on Retirement Benefit Obligations.

#### **Allowance for Doubtful Debts**

On debtors an impairment loss is recognised where 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. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

#### **Useful Lives of Property, Plant and Equipment**

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

## **Alfred Duma Local Municipality**

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

### **Accounting Policies**

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#### **Impairment of Property, Plant and Equipment & Inventory**

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 9 and 15 respectively.

#### **20. RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### **21. COMMITMENTS**

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

#### **22. BUDGET INFORMATION**

The budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies used for the preparation of these financial statements. The amounts are scheduled as separate additional columns in the Statement of Comparison of Budget with Actual Information. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

#### **23. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 1. Housing Development Fund

Unappropriated Surplus/(Deficit)	-16 718 003	-18 850 360
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	<b>30 406 499</b>	<b>28 274 142</b>

The Housing Operating Account is represented by the following assets and liabilities:

Housing selling scheme loans	2 649 865	2 856 085
Bank and cash	27 756 635	25 418 058
	<b>30 406 499</b>	<b>28 274 142</b>

### 2. Long-term Loans

Loans	6 745 273	7 282 446
Less : Current portion transferred to current liabilities	-579 003	-534 661
	<b>6 166 271</b>	<b>6 747 784</b>

Refer to Appendix A for more detail on long-term loans

### 3. Consumer Deposits

Electricity	10 112 325	9 997 798
Refuse	5 287 928	680 665
	<b>15 400 252</b>	<b>10 678 463</b>

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 7 139 425 (2017: R 6 394 855)

### 4. Provisions

#### Non-Current

#### 4.1 Environmental Rehabilitation

##### Ladysmith Waste Disposal Site

Balance at beginning of period	36 248 893	30 072 155
Contribution to provision	10 868 429	6 176 739
	<b>47 117 323</b>	<b>36 248 893</b>

##### Indaka Waste Disposal Site

Balance at beginning of period	9 139 176	1 799 373
Change in provision	-4 939 342	7 339 803
	<b>4 199 834</b>	<b>9 139 176</b>

	<b>51 317 157</b>	<b>45 388 070</b>
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Provision for reclamation of refuse landfill sites. In terms of the licencing of the refuse landfill sites, council will incur rehabilitation estimation costs of R 51 317 157, calculated as at 30 June 2018, (2017: R 45 388 070) to restore the sites at the end of their respective useful life.

The calculation is based on the total actual area of the Landfill sites which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30 June 2017)

### 4. Provisions (Continued)

#### Current

#### 4.2 Performance Bonuses

Balance at beginning of period	700 141	529 650
Contribution to provision	657 524	714 010
Expenditure incurred	-	-543 519
	<b>1 357 666</b>	<b>700 141</b>

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council. No bonuses were paid during the 2017/2018 financial year. The bonuses relating to the 2016/2017 financial year performance outcomes were paid on 31 July 2018 totalling R 607 361.

#### 4.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 10 years to 45 years of service, inclusive. As at 30 June 2018, 813 (2017: 797) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets		
Accrued Liability	9 617 985	8 464 580
<b>Unfunded Accrued Liability</b>	<b>9 617 985</b>	<b>8 464 580</b>
Unrecognised Transitional Liability		
Unrecognised Actuarial Gains/(Losses)		
Unrecognised Past Service Cost		
<b>Net Liability in Statement of Financial Position</b>	<b>9 617 985</b>	<b>8 464 580</b>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	8 464 580	8 576 187
Current service cost	872 937	898 363
Interest cost	689 721	685 432
Actual benefits paid	-564 012	-1 284 941
Actuarial loss / (gain)	154 759	-410 461
Closing Balance	<b>9 617 985</b>	<b>8 464 580</b>
Current Portion of Liability	1 385 778	598 554
Non-Current Portion of Liability	8 232 207	7 866 026
	<b>9 617 985</b>	<b>8 464 580</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	872 937	898 363
Interest cost	689 721	685 432
Actuarial loss / (gain) recognised	154 759	-410 461
<b>Total Included in Statement of Financial Performance</b>	<b>1 717 417</b>	<b>1 173 334</b>

Statistical information used to calculate the valuation is based on 30 June 2018 assumptions.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated

(10 August 2016 to 30 June 2017)

### 4. Provisions (Continued)

#### Key Financial Assumptions Used

##### 30 June 2018

Assumption	Value p.a.
Discount Rate	8.49%
General Salary Inflation (long-term)	6.11%
Net Effective discount rate	2.24%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

The liability-weighted average term of the total liability is 6.46 years.

##### 30 June 2017

Assumption	Value p.a.
Discount Rate	8.44%
General Salary Inflation (long-term)	6.26%
Net Effective discount rate	2.05%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.91 years.

#### Key Demographic Assumptions Used

##### 30 June 2018

Average retirement age	60
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	12%	18%
40	8%	10%
50	4%	4%
55	2%	2%

##### 30 June 2017

Average retirement age	60
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	12%	18%
40	8%	10%
50	4%	4%
55	2%	2%

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 4. Provisions (Continued)

#### Sensitivity Analysis

##### Sensitivity Analysis on Interest Costs for the year ending 30 June 2019

Assumption	Change	Liability	% Change
Central assumptions		9.618	
General salary inflation	+1%	10.181	6%
	-1%	9.105	-5%
Discount Rate	+1%	9.076	-6%
	-1%	10.224	6%
Average retirement age	-2 yrs	8.502	-12%
	+2 yrs	10.878	13%
Withdrawal rates	-50%	11.796	23%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R945 800	R758 900	R1 704 700	
General salary inflation	+1%	R1 022 500	R806 700	R1 829 200	7%
	-1%	R877 100	R715 400	R1 592 500	-7%
Discount Rate	+1%	R882 300	R797 000	R1 679 300	-1%
	-1%	R1 017 700	R714 900	R1 732 600	2%
Average retirement age	-2 yrs	R851 800	R668 900	R1 520 700	-11%
	+2 yrs	R1 042 100	R863 800	R1 905 900	12%
Withdrawal rates	-50%	R1 307 100	R943 800	R2 250 900	32%

##### Sensitivity Analysis on Interest Costs for the year ending 30 June 2018

Assumption	Change	Liability	% Change
Central assumptions		8.465	
General salary inflation	+1%	8.996	6%
	-1%	7.980	-6%
Discount Rate	+1%	7.954	-6%
	-1%	9.036	7%
Average retirement age	-2 yrs	7.489	-12%
	+2 yrs	9.628	14%
Withdrawal rates	-50%	10.558	25%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R872 900	R689 700	R1 562 600	
General salary inflation	+1%	R946 600	R734 600	R1 681 200	8%
	-1%	R807 100	R648 900	R1 456 000	-7%
Discount Rate	+1%	R811 900	R723 300	R1 535 200	-2%
	-1%	R942 300	R650 500	R1 592 800	2%
Average retirement age	-2 yrs	R786 100	R607 400	R1 393 500	-11%
	+2 yrs	R963 400	R786 900	R1 750 300	12%
Withdrawal rates	-50%	R1 229 400	R866 400	R2 095 800	34%

#### Trend Information

##### 30 June 2018

	Year Ending 30/06/2018	Year Ending 30/06/2019	Year Ending 30/06/2020
Opening Accrued Liability	R8 464 580	R9 617 985	R9 936 969
Current-service Cost	R872 937	R945 823	R1 026 123
Interest Cost	R689 721	R758 939	R782 114
Benefit Vestings	-R564 012	-R1 385 778	-R1 479 712
Total Annual Expense	R998 646	R318 984	R328 525
Actuarial Loss / (Gain)	R154 759		
Closing Accrued Liability	R9 617 985	R9 936 969	R10 265 494

The Municipality expects to pay R 1 385 778 for long-service leave benefits in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC.

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The full actuarial valuation report as at 30 June 2018 is available on request.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 4. Provisions (Continued)

30 June 2017

	Year Ending 30/06/2017	Year Ending 30/06/2018	Year Ending 30/06/2019
Opening Accrued Liability	R8 576 187	R8 464 580	R9 428 684
Current-service Cost	R898 363	R872 937	R946 619
Interest Cost	R685 432	R689 721	R744 984
Benefit Vestings	-R1 284 941	-R598 554	-R1 230 137
<b>Total Annual Expense</b>	<b>R298 854</b>	<b>R964 104</b>	<b>R461 466</b>
Actuarial Loss / (Gain)	-R410 461		
<b>Closing Accrued Liability</b>	<b>R8 464 580</b>	<b>R9 428 684</b>	<b>R9 890 150</b>

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# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 5. Retirement Benefit Obligations

#### Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

The subsidy will be 50% for those in-service members who were aged between 50 and 55 on 1 January 2005. Other in-service members do not qualify for the post-employment subsidy.

If an employee chooses to take early retirement, he or she must be at least 55 years of age at the time of retirement and have at least 25 continuous years' service, provided they are eligible as at 1 January 2005, as per above.

The total in-service employees belonging to Medical Schemes as at 30 June 2018 were 2 (2017: 3) and the total continuation employees receiving the medical benefit as at 30 June 2018 were 67 (2017: 68).

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	28 178 688	29 897 013
Fair value of plan assets		
Unrecognised Past Service cost		
Unrecognised actuarial (gains)/losses		
Liability Recognised in Balance Sheet	<u>28 178 688</u>	<u>29 897 013</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	29 897 013	31 309 920
Current service cost		
Interest cost	2 563 793	2 721 125
Actual benefits paid	-2 459 643	-2 193 658
Actuarial loss / (gain)	-1 822 475	-1 940 374
Closing Balance	<u>28 178 688</u>	<u>29 897 013</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost		
Interest cost	2 563 793	2 721 125
Actuarial loss / (gain) recognised	-1 822 475	-1 940 374
Total Included in Statement of Financial Performance	<u>741 318</u>	<u>780 751</u>

Current Portion of Liability	2 635 378	2 522 421
Non-Current Portion of Liability	25 543 310	27 374 592
	<u>28 178 688</u>	<u>29 897 013</u>

Statistical information used to calculate the valuation is based on 30 June 2018 assumptions.

#### Key Financial Assumptions Used

##### 30 June 2018

Assumption	Value p.a.
Discount Rate	9.06%
Health care cost inflation rate	7.09%
Net discount rate - health care cost inflation	1.84%
Maximum subsidy inflation rate	4.94%
Net discount rate - maximum subsidy inflation	3.92%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30  
June 2017)

### 5. Retirement Benefit Obligations (Continued)

#### 30 June 2017

Assumption	Value p.a.
Discount Rate	8.94%
Health care cost inflation rate	7.27%
Net discount rate - health care cost inflation	1.56%
Maximum subsidy inflation rate	5.08%
Net discount rate - maximum subsidy inflation	3.68%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

#### Key Demographic Assumptions Used

##### 30 June 2018

Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>59	0%	0%

##### 30 June 2017

Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55	1%	1%

#### Sensitivity Analysis on the Accrued Liability (R Millions)

##### 30 June 2018

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		1.809	26.369	28.179	
Health care inflation	+1%	1.907	27.463	29.370	4%
	-1%	1.689	25.031	26.720	-5%
Discount Rate	+1%	1.644	24.429	26.073	-7%
	-1%	2.003	28.612	30.616	9%
Post-retirement mortality	-1 yr	1.862	27.377	29.239	4%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 5. Retirement Benefit Obligations (Continued)

30 June 2017

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		2.530	27.367	29.897	
Health care inflation	+1%	2.662	28.591	31.253	5%
	-1%	2.359	25.881	28.241	-6%
Discount Rate	+1%	2.291	25.248	27.538	-8%
	-1%	2.813	29.830	32.643	9%
Post-retirement mortality	-1 yr	2.604	28.412	31.015	4%
Continuation of membership at retirement	-10%	2.014	27.367	29.381	-2%

#### Sensitivity Analysis on Interest Costs for the year ending 30 June 2019

Assumption	Change	Interest Cost	% Change
Central Assumptions		R2 436 200	
Health care inflation	+1%	R2 543 500	5%
	-1%	R2 304 600	-6%
Discount rate	+1%	R2 493 600	2%
	-1%	R2 363 500	-3%
Post-retirement mortality	-1 yr	R2 532 300	4%

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability	R29 897 013	R28 178 688	R27 979 505
Current-service Cost	R0	R0	R0
Interest Cost	R2 563 793	R2 436 195	R2 409 868
Expected Contributions (benefits paid)	-R2 459 643	-R2 635 378	-R2 822 226
Total Annual Expense	R104 150	-R199 183	-R412 358
Actuarial Loss / (Gain)	-R1 822 475		
Closing Accrued Liability	R28 178 688	R27 979 505	R27 567 147

The Municipality expects to pay R 2 635 378 to its post-retirement medical aid plan in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC

ARCH Actuarial Consulting CC is not affiliated to the Municipality

The full actuarial valuation report as at 30 June 2018 is available on request

#### Sensitivity Analysis on Interest Costs for the year ending 30 June 2018

Assumption	Change	Interest Cost	% Change
Central Assumptions		R2 563 800	
Health care inflation	+1%	R2 684 500	5%
	-1%	R2 416 200	-6%
Discount rate	+1%	R2 616 200	2%
	-1%	R2 495 100	-3%
Post-retirement mortality	-1 yr	R2 663 800	4%
Continuation of membership retirement	-10%	R2 517 700	2%

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening Accrued Liability	R31 500 717	R29 897 013	R29 938 385
Current-service Cost	R0	R0	R0
Interest Cost	R2 721 125	R2 563 793	R2 559 464
Expected Contributions (benefits paid)	-R2 384 455	-R2 522 421	-R2 705 876
Total Annual Expense	R336 670	R41 372	-R146 412
Actuarial Loss / (Gain)	-R1 940 374		
Closing Accrued Liability	R29 897 013	R29 938 385	R29 791 973

The valuation as at 30 June 2017 was performed by ARCH Actuarial Consulting CC.

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# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated

(10 August 2016 to 30  
June 2017)

### 6. Trade and Other Payables from Exchange Transactions

Trade Creditors	62 153 729	96 407 008
Retentions	25 771 588	30 050 404
Unidentified Deposits in Primary Bank Account	4 278 800	4 783 252
Deposits : Other	2 511 153	3 091 327
Other Creditors	12 109 691	9 550 426
Employee Benefits / Accruals	24 035 934	22 058 923
Payments Received in Advance i.r.o. Service Debtors	20 760 281	13 254 672
	<b>151 621 176</b>	<b>179 196 011</b>

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

### 7. Unspent Conditional Grants and Receipts

Department of Housing	44 240 623	14 471 297
Housing Accreditation	4 470 445	2 838 520
Sports Facilities Grant	246 329	-
Other Grants	4 433 628	7 800 537
	<b>53 391 026</b>	<b>25 110 353</b>

### 8. VAT Receivable

	<b>15 586 938</b>	<b>16 435 376</b>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 9. PROPERTY, PLANT AND EQUIPMENT

30 June 2018

Reconciliation of Carrying Value	Infrastructure	Community	Other	Land	Total
<b>Carrying values at 30 June 2017</b>	<b>1 310 839 864</b>	<b>237 817 960</b>	<b>110 465 344</b>	<b>301 619 981</b>	<b>1 960 743 149</b>
Cost	2 370 582 073	403 613 480	245 927 597	301 619 981	3 321 743 132
Capital under Construction	2 591 008	30 600 598	-	-	33 191 605
Accumulated impairment	-23 692 866	-5 721 166	-1 537 087	-	-30 951 119
Accumulated depreciation	-1 038 640 351	-190 674 952	-133 925 166	-	-1 363 240 469
Acquisitions	31 915 757	10 304 526	13 518 206	-	55 738 489
Capital under Construction	33 588 230	-3 401 433	-	-	30 186 797
Depreciation	-118 894 789	-17 982 554	-31 477 308	-	-168 354 651
Impairment	641 740	17 828	1 484 924	-	2 144 492
Carrying value of disposals	-1 026 545	-17 828	-6 145 872	-6 251 811	-13 442 055
Cost/revaluation	-2 241 401	-135 789	-15 966 781	-6 251 811	-24 595 782
Accumulated depreciation	1 214 856	117 961	9 820 909	-	11 153 727
<b>Carrying values at 30 June 2018</b>	<b>1 257 064 258</b>	<b>228 738 498</b>	<b>87 845 295</b>	<b>295 368 170</b>	<b>1 867 016 221</b>
Cost	2 400 256 429	413 782 217	243 479 023	295 368 170	3 352 885 838
Capital under Construction	36 179 238	27 199 164	-	-	63 378 402
Accumulated impairment	-23 051 126	-5 703 338	-52 163	-	-28 806 627
Accumulated depreciation	-1 156 320 283	-208 539 545	-155 581 565	-	-1 520 441 392

30 June 2017

Reconciliation of Carrying Value	Infrastructure	Community	Other	Land	Total
<b>Carrying values at 9 August 2016</b>	<b>1 229 162 739</b>	<b>228 138 586</b>	<b>141 719 503</b>	<b>303 607 981</b>	<b>1 902 628 809</b>
Cost	2 187 550 625	358 153 482	240 818 799	301 587 981	3 088 110 887
Capital under Construction	32 222 411	44 175 099	3 297 298	2 020 000	81 714 807
Accumulated impairment	1 066 600	-1 558 728	-1 526 640	-	-2 018 767
Accumulated depreciation	-991 676 897	-172 631 267	-100 869 954	-	-1 265 178 118
Acquisitions	185 595 853	48 166 370	11 686 570	2 020 000	247 468 794
Capital under Construction	-29 631 404	-13 574 501	-3 297 298	-2 020 000	-48 523 202
Depreciation	-48 166 543	-19 323 426	-37 416 599	-	-104 905 567
Impairment	-24 773 254	-5 589 347	-22 187	-	-30 384 768
Carrying value of disposals	-1 348 528	278	-2 204 665	-1 988 000	-5 540 916
Cost/revaluation	-2 564 405	-2 706 372	-6 577 772	-1 988 000	-13 836 549
Accumulated impairment	13 788	1 426 909	11 720	-	1 452 416
Accumulated depreciation	1 202 089	1 279 741	4 361 387	-	6 843 217
<b>Carrying values at 30 June 2017</b>	<b>1 310 839 864</b>	<b>237 817 960</b>	<b>110 465 344</b>	<b>301 619 981</b>	<b>1 960 743 149</b>
Cost	2 370 582 073	403 613 480	245 927 597	301 619 981	3 321 743 132
Capital under Construction	2 591 008	30 600 598	-	-	33 191 605
Accumulated impairment	-23 692 866	-5 721 166	-1 537 087	-	-30 951 119
Accumulated depreciation	-1 038 640 351	-190 674 952	-133 925 166	-	-1 363 240 469

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

#### Infrastructure Assets and Community Assets

##### Physical verification and valuation

- Infrastructure assets were physically verified during the 2017/2018 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.

##### Capital Under Construction

There are currently 12 projects listed as Capital Under Construction as at 30 June 2018, however the 2 projects listed below are delayed or taking longer than expected to complete:

- Construction of the Ezakheni Sports Complex : Amount disclosed in PPE - R 20 724 611

This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.

- Emnambithi Indoor Sports Complex : Amount disclosed in PPE - R 5 115 727

This is a longer term project and the planning and study phase of this project has been completed.

##### Repairs and Maintenance

Repairs and maintenance are costs related to the repair and maintenance of Council owned Property, Plant and Equipment during the period.

Included in repairs and maintenance are the following:

Payments to service providers - Contracted Services	5 169 457
Materials used from Inventory - General Expenses - Consumable Stores	12 938 610
Employee costs charged to repairs and maintenance - Remuneration of Employees	37 980 552
Transport costs charged to repairs and maintenance - General Expenses	9 873 339
	<b>65 961 958</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30  
June 2017)

### 10. Intangible Assets

#### 30 June 2018

	Opening Balance	Additions	Disposals	Transfers	Total
<b>Cost</b>					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 360 695	151 499	-	-	6 512 193
<b>Total</b>	<b>6 402 317</b>	<b>151 499</b>	-	-	<b>6 553 816</b>
<b>Accumulated Amortisation</b>					
Servitudes	-	-	-	-	-
Computer Software	-1 127 742	-1 018 061	-	-	-2 145 803
<b>Total</b>	<b>-1 127 742</b>	<b>-1 018 061</b>	-	-	<b>-2 145 803</b>
<b>Carrying Value</b>	<b>5 274 576</b>	<b>-866 563</b>	-	-	<b>4 408 013</b>

#### 30 June 2017

	Opening Balance	Additions	Disposals	Transfers	Total
<b>Cost</b>					
Servitudes	41 623	-	-	-	41 623
Computer Software	340 067	6 020 627	-	-	6 360 695
<b>Total</b>	<b>381 690</b>	<b>6 020 627</b>	-	-	<b>6 402 317</b>
<b>Accumulated Amortisation</b>					
Servitudes	-	-	-	-	-
Computer Software	-236 320	-891 421	-	-	-1 127 742
<b>Total</b>	<b>-236 320</b>	<b>-891 421</b>	-	-	<b>-1 127 742</b>
<b>Carrying Value</b>	<b>145 370</b>	<b>5 129 206</b>	-	-	<b>5 274 576</b>

Intangible assets disclosed relate to computer software and to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30  
June 2017)

### 11. Investment Property

30 June 2018

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	186 942 893	-	92 301 000	-2 607 879	276 636 014
<b>Total</b>	<b>186 942 893</b>	<b>-</b>	<b>92 301 000</b>	<b>-2 607 879</b>	<b>276 636 014</b>
Accumulated Depreciation	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying Value</b>	<b>186 942 893</b>	<b>-</b>	<b>92 301 000</b>	<b>-2 607 879</b>	<b>276 636 014</b>

30 June 2017

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	194 253 282	-	-6 553 388	-757 000	186 942 893
<b>Total</b>	<b>194 253 282</b>	<b>-</b>	<b>-6 553 388</b>	<b>-757 000</b>	<b>186 942 893</b>
Accumulated Depreciation	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying Value</b>	<b>194 253 282</b>	<b>-</b>	<b>-6 553 388</b>	<b>-757 000</b>	<b>186 942 893</b>

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

The fair value of the above properties is R 276 636 014. Investment properties have been valued in accordance with the municipal valuation roll and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2018. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Investment Property was rented / leased during the period and rental income of was recognised and disclosed in the Statement of Financial Performance as Rental of facilities and equipment.

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 12. Heritage Assets

#### 30 June 2018

	Opening Balance	Additions	Disposals	Transfers	Total
<b>Cost</b>					
Buildings	15 678 000	-	-	-	15 678 000
Other	1 774 512	-	-	-	1 774 512
<b>Total</b>	<b>17 452 512</b>	-	-	-	<b>17 452 512</b>
<b>Accumulated Amortisation</b>					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying Value</b>	<b>17 452 512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 452 512</b>

#### 30 June 2017

	Opening Balance	Additions	Disposals	Transfers	Total
<b>Cost</b>					
Buildings	15 277 000	-	-	401 000	15 678 000
Other	1 774 512	-	-	-	1 774 512
<b>Total</b>	<b>17 051 512</b>	-	-	<b>401 000</b>	<b>17 452 512</b>
<b>Accumulated Amortisation</b>					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying Value</b>	<b>17 051 512</b>	<b>-</b>	<b>-</b>	<b>401 000</b>	<b>17 452 512</b>

The Municipality accounts for Heritage Assets under GRAP 103.

The cost model is used for all heritage assets in terms of measurement.

Where the inability exists to determine the fair value reliably, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, heritage assets shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses. The Municipality has certain movable heritage assets measured at R1 so as to confirm existence and rights, and in their nature bear no material impact on the materiality of valuation as there is no market for these items.

These assets were assessed for impairment during the 2017/2018 financial year.

### 13. Self-Insurance Fund

Opening balance	13 450 360	12 436 552
Contributions / Interest	958 273	1 656 763
Insurance Claims processed	-788 321	-642 955
	<b>13 620 312</b>	<b>13 450 360</b>

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

### 14. Non-current Receivables from Exchange Transactions

State Housing Selling Schemes	15 414	15 414
	<b>15 414</b>	<b>15 414</b>

### 15. Inventories

Unsold properties and assets held for resale	26 947 152	23 454 462
Consumable Stores	16 011 812	13 269 818
Inventory Assets	1 259 947	599 084
	<b>44 218 911</b>	<b>37 323 364</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 16. Trade and Other Receivables from Exchange Transactions

As at 30 June 2018	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	39 150 849	-9 323 530	29 827 319
Refuse	42 407 335	-31 769 997	10 637 338
Housing Debtors	2 069 020	-1 951 902	117 118
	<b>83 627 204</b>	<b>-43 045 429</b>	<b>40 581 775</b>

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	36 545 276	-7 811 957	28 733 319
Refuse	25 046 946	-23 276 019	1 770 928
Housing Debtors	1 753 533	-1 637 955	115 579
	<b>63 345 755</b>	<b>-32 725 930</b>	<b>30 619 826</b>

#### Electricity : Ageing

Current (0 - 30 days)	23 861 622	25 512 718
31 - 60 Days	3 498 883	2 165 217
61 - 90 Days	1 410 225	423 478
91 - 120 Days	815 311	847 680
121+ Days	9 294 165	7 596 183
	<b>38 880 206</b>	<b>36 545 276</b>

#### Refuse : Ageing

Current (0 - 30 days)	-1 212	-7 679
31 - 60 Days	3 647 288	1 324 041
61 - 90 Days	2 151 393	1 164 434
91 - 120 Days	1 398 472	1 257 778
121+ Days	35 211 394	21 308 372
	<b>42 407 335</b>	<b>25 046 946</b>

#### Housing : Ageing

Current (0 - 30 days)	30 237	33 386
31 - 60 Days	28 037	28 204
61 - 90 Days	27 517	27 168
91 - 120 Days	27 367	26 821
121+ Days	1 955 861	1 637 955
	<b>2 069 020</b>	<b>1 753 533</b>

#### Reconciliation of the doubtful debt provision

Balance at beginning of the period	32 725 930	21 200 249
Contributions to provision	11 352 389	16 458 347
Doubtful debts written off against provision	-1 032 890	-4 932 666
	<b>43 045 429</b>	<b>32 725 930</b>

#### Trade and other receivables from exchange transactions impaired

As of 30 June 2018, trade and other receivables of R 59 465 913 (2017: R 37 807 330) were impaired and provided for. The amount of the provision was R 43 045 429 as at 30 June 2018 (2017: R 32 725 930). The ageing of these receivables is as follows:

31 - 60 Days	5 193 174	3 044 706
61 - 90 Days	2 598 057	1 398 009
91 - 120 Days	1 622 296	1 845 696
121+ Days	33 631 902	26 437 519
	<b>43 045 429</b>	<b>32 725 930</b>

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 17. Other Receivables from Non-Exchange Transactions

As at 30 June 2018	Gross Balances	Provision for Bad Debts	Net Balance
Property Rates	221 112 565	-123 564 333	97 548 232
Vat Service Debtors	11 320 126	-	11 320 126
Legal Fees - Debtors	459 575	-352 478	107 097
Credit Control Costs - Debtors	131 603	-52 601	79 002
Traffic Fines	61 690 362	-26 613 618	35 076 744
Receivables - Penalties / Interest	35 380 679	-25 441 111	9 939 568
Sundry Debtors	8 275 776	-3 251 487	5 024 309
	<b>338 370 685</b>	<b>-179 275 608</b>	<b>159 095 077</b>

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Rates	172 492 175	-113 989 456	58 502 719
Vat Service Debtors	8 667 795	-	8 667 795
Legal Fees - Debtors	449 910	-425 545	24 365
Credit Control Costs - Debtors	151 352	-138 302	13 049
Traffic Fines	55 260 360	-23 624 235	31 636 126
Receivables - Penalties / Interest	15 469 865	-8 566 380	6 903 486
Sundry Debtors	15 096 261	-4 150 578	10 945 683
	<b>267 587 719</b>	<b>-150 894 496</b>	<b>116 693 223</b>

#### Rates : Ageing

Current (0 - 30 days)	162 533	857 421
31 - 60 Days	8 513 178	5 247 866
61 - 90 Days	10 925 789	4 135 005
91 - 120 Days	6 065 716	4 772 225
121+ Days	205 740 369	157 479 658
	<b>231 407 584</b>	<b>172 492 175</b>

#### Reconciliation of the doubtful debt provision

Balance at beginning of the year	150 894 496	117 993 447
Contributions to provision	30 836 250	33 237 113
Doubtful debts written off against provision	-2 455 138	-336 064
	<b>179 275 608</b>	<b>150 894 496</b>

#### Trade and other receivables from non-exchange transactions impaired

As of 30 June 2018, trade and other receivables of R 272 098 867 (2017: R 249 199 687) were impaired and provided for. The amount of the provision was R 179 275 608 as at 30 June 2018. (2017: R 150 894 496)

The ageing of these receivables is as follows:

31 - 60 Days	6 595 312	3 031 040
61 - 90 Days	8 464 405	2 388 278
91 - 120 Days	4 699 219	2 756 321
121+ Days	159 516 673	142 718 857
	<b>179 275 608</b>	<b>150 894 496</b>

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns, where applicable.

### 18. Investments

Short-Term Investments		
- ABSA	20 118 027	10 094 315
- Investec	40 544 586	10 094 513
- Standard Bank	20 117 945	10 094 623
	<b>80 780 558</b>	<b>30 283 451</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 19. Cash and Cash Equivalents

The Municipality has the following call deposit bank accounts :-

#### General Call Account

ABSA Bank - Public Sector Banking

Account Number 9207051716

Bank statement balance at end of period

33 810 470

71 347 894

#### Department of Housing Grants Call Account

ABSA Bank - Public Sector Banking

Account Number 9207052314

Bank statement balance at end of period

45 561 871

15 633 297

#### Grant Funds Call Account

ABSA Bank - Public Sector Banking

Account Number 9207054081

Bank statement balance at end of period

69 903 111

66 059 697

#### Ladysmith Black Mambazo Call Account

ABSA Bank - Public Sector Banking

Account Number 9236410696

Bank statement balance at end of period

2 836 880

1 758 015

#### Self-Insurance Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9251267674

Bank statement balance at end of period

13 620 312

13 471 757

#### Housing Operating Call Account

ABSA Bank - Public Sector Banking

Account Number 9274469611

Bank statement balance at end of period

30 406 499

25 263 421

#### Housing Capacity Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9285122301

Bank statement balance at end of period

2 598 275

2 896 008

#### Disaster Recovery Grant Call Account

ABSA Bank - Public Sector Banking

Account Number 9305740716

Bank statement balance at end of period (Account Closed)

—

29 339 016

198 737 218

225 769 104

The Municipality has the following primary bank account :-

#### Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking

Account Number 4071756088

Cash book balance at beginning of period

6 155 304

142 529 312

Cash book balance at end of period

-5 251 844

6 155 304

Bank statement balance at beginning of period

30 463 901

160 035 382

Bank statement balance at end of period

36 536 224

30 463 901

Cash and cash equivalents consist of:

Short-term Investments

80 780 558

30 283 451

Call deposits

198 737 218

225 769 104

Bank balance and cash

-5 251 844

6 155 304

274 265 932

262 207 859

#### Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 20. Property Rates

#### Actual

Residential	76 414 911	67 000 173
Industrial / Commercial / Business	51 402 424	31 708 383
Agriculture	4 615 282	2 577 902
Vacant Land	18 883 748	6 881 011
Game Hunting / Eco-Tourism	-	1 062 573
State	25 313 905	10 414 500
Industrial Estate Serviced By Agent	-	1 887 818
Industrial Estate Serviced By Owner	-	460 722
	176 630 271	121 993 082
Less: Revenue Foregone	-2 094 239	-230 855
<b>Total Assessment Rates</b>	<b>174 536 032</b>	<b>121 762 227</b>

#### Valuations

	R'000	R'000
Residential & Bed and Breakfast	9 860 371	6 614 784
Industrial / Commercial / Business	2 666 401	1 579 777
Agriculture	1 668 258	985 028
Public Service Infrastructure	12 249	15 686
Vacant Land	710 195	163 868
Rural Residential	-	304 947
Game Hunting / Eco-Tourism	-	126 360
Municipal Domestic	657 074	197 391
State	1 007 426	1 326 035
Land Reform < 10 Years	-	129 370
Non Profit Organisations	107 619	70 037
Religious	122 131	193 140
Industrial Estate Serviced By Agent	-	161 729
Industrial Estate Serviced By Owner	-	39 470
Ingonyama Trust	-	18 440
Municipal Vacant Land	2 307	125 145
Public Open Spaces	2 487	6 058
Other	367 954	12 219
<b>Total Property Valuations</b>	<b>17 184 472</b>	<b>12 069 484</b>

Valuation on land and buildings is performed every four years. The last valuation came into effect on 1 July 2017. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.01138	100 000
Commercial / Business	R 0.01996	-
Industrial	R 0.01284	-
Agriculture	R 0.00277	-
Vacant Land	R 0.04109	-
State	R 0.02513	-

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2018.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017 Restated (10 August 2016 to 30 June 2017)
<b>21. Service Charges</b>		
Electricity	306 943 834	278 318 343
Refuse removal	25 115 685	19 769 680
	<u>332 059 519</u>	<u>298 088 023</u>
<b>22. Government Grants and Subsidies</b>		
Disaster Recovery Grant (DRG)	-	50 000 000
Equitable Share	189 993 252	153 116 000
Expanded Public Works Programme (EPWP)	3 347 000	4 710 815
Financial Management Grant (FMG)	3 600 000	3 408 398
Housing Accreditation	223 325	356 141
Municipal Demarcation Transition Grant (MDTG)	8 280 000	9 714 000
Municipal Infrastructure Grant (MIG)	62 749 000	70 353 000
Museum Subsidy	183 000	175 000
Provincialisation of Libraries	4 198 000	4 035 000
Recapitalisation of Libraries	778 000	738 000
Small Business Development	4 987 198	-
Sports Facilities Grant	943 171	-
Workstudy Exercise at Merged Municipalities Grant	-	700 000
Other Grants	3 506 307	231 719
	<u>282 786 253</u>	<u>297 538 072</u>

The Municipality received INEP funding for Electrification Projects which are in the Eskom serviced areas. The grant utilised in the amount of R 15 000 000 as at 30 June 2018 (2017: R 11 617 960) is not recognised in the Statement of Financial Performance, as the projects are carried out on behalf of Eskom.

The Municipality received Housing Funds for Low Cost Housing Projects and Title Deeds Transfers. The grant is not recognised in the Statement of Financial Performance, as these projects are carried out on behalf of the Department of Human Settlement.

### 22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All residents may apply for indigency in terms of the Municipality's Indigent Policy. For the 2017/2018 financial year, the amount transferred was R 237 748 less than the allocation gazetted. National Treasury was consulted as the amount was incorrectly withheld in terms of the prior year opening balance that was regarded as unspent in terms of the FMG and EPWP Grants. The amount was actually advance spending in terms of these grants prior to the establishment of the Alfred Duma Local Municipality.

### 22.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of period	-	-
Current year receipts	62 749 000	70 353 000
Conditions met - transferred to revenue (Other)	-62 749 000	-70 353 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

### 22.3 Department of Human Settlement

Balance unspent at beginning of period	14 471 297	14 471 297
Current year receipts	32 369 002	-
Conditions met	-2 599 675	-
Conditions still to be met - transferred to liabilities	<u>44 240 623</u>	<u>14 471 297</u>

This grant is utilised to construct houses and transfer Title Deeds as part of Low Cost Housing Projects. The grant utilised in the amount of R 2 599 675 (2017: R 0) is not transferred to revenue, as the projects are carried out on behalf of the Department of Human Settlement.

### 22.4 Museum subsidy

Balance unspent at beginning of period	-	-
Current year receipts	183 000	175 000
Conditions met - transferred to revenue	-183 000	-175 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenses incurred solely for the Museums.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 22. Government Grants and Subsidies (Continued)

#### 22.5 Financial Management Grant (FMG)

Balance unspent at beginning of period		-41 602
Current year receipts	3 600 000	3 450 000
Conditions met - transferred to revenue	-3 600 000	-3 408 398
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

#### 22.6 Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of period		
Current year receipts	8 280 000	9 714 000
Conditions met - transferred to revenue	-8 280 000	-9 714 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for processes and systems required for the merger of the two former municipalities.

#### 22.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of period	-	117 960
Current year receipts	15 000 000	11 500 000
Conditions met	-15 000 000	-11 617 960
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for electricity connections to households in various areas.

The grant utilised in the amount of R 15 000 000 (2017: R 11 617 960) is not transferred to revenue, as the projects are carried out on behalf of Eskom.

#### 22.8 Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of period	-	-195 185
Current year receipts	3 347 000	4 906 000
Conditions met - transferred to revenue	-3 347 000	-4 710 815
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment.

This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

#### 22.9 Disaster Recovery Grant (DRG)

Balance unspent at beginning of period		-517 198
Current year receipts		50 517 198
Conditions met - transferred to revenue		-50 000 000
Conditions still to be met - transferred to liabilities / debtor raised for spending in advance		-

The Disaster Recovery Grant is received for storm damages that occurred in the Municipal Area to repair bridges, roads and electrical infrastructure.

#### 22.10 Housing Accreditation

Balance unspent at beginning of period	2 838 520	1 180 812
Current year receipts	1 855 251	2 013 848
Conditions met - transferred to revenue	-223 325	-356 141
Conditions still to be met - transferred to liabilities	4 470 445	2 838 520

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated

(10 August 2018 to 30 June 2017)

### 22. Government Grants and Subsidies (Continued)

#### 22.11 Provincialisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	4 198 000	4 035 000
Conditions met - transferred to revenue	-4 198 000	-4 035 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenditure and upgrading of Libraries.

#### 22.12 Recapitalisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	776 000	738 000
Conditions met - transferred to revenue	-776 000	-738 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the remuneration of Cyber Cadets in Libraries.

#### 22.13 Workstudy Exercise Grant

Balance unspent at beginning of period	-	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	-	-700 000
Conditions still to be met - transferred to liabilities	-	-

This grant was utilised for the development of an organisational structure for the merged Municipality.

#### 22.14 Small Business Development Grant

Balance unspent at beginning of period	-	-
Current year receipts	4 987 198	-
Conditions met - transferred to revenue	-4 987 198	-
Conditions still to be met - transferred to liabilities	-	-

This grant was utilised for assisting in Shared Economic Infrastructure Facilities in terms of LED.

#### 22.15 Sports Facilities Grant

Balance unspent at beginning of period	-	-
Current year receipts	1 189 500	-
Conditions met - transferred to revenue	-943 171	-
Conditions still to be met - transferred to liabilities	246 329	-

This grant is utilised in the upgrading and maintaining of sports facilities.

#### 22.16 Other Grants

Balance unspent at beginning of period	7 800 537	3 232 255
Current year receipts	139 399	4 800 000
Conditions met - transferred to revenue	-3 506 307	-231 719
Conditions still to be met - transferred to liabilities	4 433 628	7 800 537

The Municipality received grants for Records Management, Translation and Promulgation of By-Laws, Development, Planning and Shared Services, Scheme Support Program (LUMS), Ladysmith Black Mambazo Academy and for the Ladysmith Airport during this period.

#### 22.17 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 23. Employee Related Costs

Salaries and Allowances	173 249 024	143 065 091
Contributions for UIF, pensions, medical aids, group life and bargaining council	33 742 177	28 431 279
Travel allowances	14 786 593	13 449 990
Housing benefits and other allowances	2 254 159	3 547 205
Overtime & standby payments	9 208 657	7 113 317
Job Creation	25 791 423	16 875 866
	<b>259 032 032</b>	<b>212 482 749</b>

There were no advances or loans made to employees.

#### Remuneration of the Municipal Manager : Ms S S Ngiba

Salary	1 359 409	-
Allowance - Subsistence & Travelling	20 597	-
Performance Bonus	-	-
	<b>1 380 006</b>	<b>-</b>

Ms S S Ngiba was appointed in the post of Municipal Manager on 1 September 2017

#### Remuneration of the Municipal Manager : Mr M P Khathide

Salary	323 904	1 222 370
Allowance - Subsistence & Travelling	-	27 610
Performance Bonus	-	113 207
	<b>323 904</b>	<b>1 363 188</b>

Mr M P Khathide's contract ended on 10 August 2017

#### Remuneration of the Chief Financial Officer : Mr M Hloba

Salary	1 456 990	1 142 154
Allowance - Subsistence & Travelling	22 283	30 554
Performance Bonus	-	93 890
	<b>1 479 273</b>	<b>1 266 598</b>

#### Remuneration of the Executive Director: Corporate Services : Mrs P Mntaka

Salary	769 546	-
Allowances - Subsistence & Travelling	-	-
Performance Bonus	-	-
	<b>769 546</b>	<b>-</b>

Mrs P Mntaka was appointed in the post of Executive Director: Corporate Services on 1 December 2017

#### Remuneration of the Executive Director: Corporate Services : Ms S S Ngiba

Salary	398 154	1 005 924
Allowance - Subsistence & Travelling	6 647	24 469
Performance Bonus	-	77 700
	<b>404 800</b>	<b>1 108 094</b>

Ms S S Ngiba was appointed to the post of Municipal Manager on 1 September 2017

#### Remuneration of the Executive Director: Community Services : Mr P B B Simelane

Salary	1 388 078	1 010 072
Allowance - Subsistence & Travelling	7 432	10 972
Performance Bonus	-	93 392
	<b>1 395 509</b>	<b>1 114 436</b>

#### Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr S A Mazibuko

Salary	487 772	-
Allowance - Subsistence & Travelling	-	-
Performance Bonus	-	-
	<b>487 772</b>	<b>-</b>

Mr S A Mazibuko was appointed in the post of Executive Director: Development, Planning & Human Settlement on 1 January 2018

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 23. Employee Related Costs (Continued)

#### Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr P S Mkhize

Salary	640 249	1 033 172
Allowance - Subsistence & Travelling	8 269	47 959
Performance Bonus	-	83 015
	<b>648 518</b>	<b>1 164 146</b>

Mr P S Mkhize resigned as Executive Director: Development, Planning & Human Settlement on 31 October 2017

#### Remuneration of the Executive Director: Public Works and Basic Services : Mr S O Hlatshwayo

Salary	1 331 857	1 119 433
Allowance - Subsistence & Travelling	18 346	83 368
Performance Bonus	-	31 297
	<b>1 350 203</b>	<b>1 234 098</b>

### 24. Remuneration of Councillors

Mayor	865 289	738 065
Deputy Mayor	700 389	587 470
Speaker	701 105	594 531
Chief Whip	601 730	385 935
MPAC Chairperson	642 428	457 877
EXCO Committee Members	2 698 991	2 191 313
Councillors	18 140 994	14 797 157
	<b>24 350 926</b>	<b>19 752 349</b>

#### In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip are full-time employees of the Municipality. Each is provided with an office, secretarial support and security at the cost of the Council.

The Mayor, Deputy Mayor and Speaker have the use of Council-owned vehicles for official duties.

The Mayor, Deputy Mayor and other Councillors have bodyguards at the cost of Council.

### 25. Finance Costs

Long-term liabilities	513 446	499 466
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### 26. Bulk Purchases

Electricity - Eskom	208 831 186	178 560 755
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#### Distribution Losses : Electricity

	30 June 2018 KWh	30 June 2017 KWh		
Value of Purchases at Purchase Price	269 896 528	239 241 846	170 034 813	142 027 759
Less : Sales at Purchase Price	-243 388 069	-218 505 924	-153 334 483	-129 717 719
<b>Total Losses</b>	<b>26 508 459</b>	<b>20 735 922</b>	<b>16 700 329</b>	<b>12 310 039</b>
Technical Losses	13 494 826	11 962 092	8 501 740	7 190 415
Non-Technical Losses	13 013 633	8 773 830	8 198 589	5 119 624
<b>Total Losses</b>	<b>26 508 459</b>	<b>20 735 922</b>	<b>16 700 329</b>	<b>12 310 039</b>
<b>Percentage of Total Loss</b>	<b>9.82%</b>	<b>8.67%</b>	<b>9.82%</b>	<b>8.67%</b>

The value of loss is calculated using the bulk purchase price.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 27. Contracted Services

Internal Audit	-	632 545
IT System and Support	2 705 715	4 095 109
Payment Services	563 770	497 658
Refuse Removal	664 501	1 157 080
Security Services	30 299 746	15 365 276
Other	9 000	708 500
	<b>34 242 732</b>	<b>22 456 168</b>

### 28. General Expenses

Included in general expenses are the following:

Advertising	346 153	726 497
Audit Committee	312 099	249 045
Audit Fees	4 291 034	6 022 536
Bank Charges	1 390 807	1 059 973
Bulk Discounts	735 651	563 590
Conferences & Delegations	1 615 232	1 898 512
Consultants	11 694 353	14 794 619
Consumable Stores & Materials - Maintenance of Assets	12 938 610	3 528 016
Contractors - Maintenance of Assets	5 169 457	11 481 852
Disconnections & Reconnections	-	378 107
Electricity - Municipal Premises	4 330 563	4 199 863
Electricity - Streetlighting	4 817 839	4 437 757
Emergency Relief Fund	615 438	538 421
Entertainment Expenses	209 525	129 350
Events / Programmes	9 297 869	13 523 656
Funeral Assistance	123 263	29 295
Indigency - Electricity / Alternative Energy	8 761 557	7 541 539
Insurance	3 220 798	3 582 255
Integrated Development Plan	923 669	607 495
Interest Paid	103 945	581 436
Legal Expenses	1 864 342	1 118 203
Licence Fees	613 048	797 545
Local Economic Development	5 673 728	1 165 651
Materials & Sundries	1 052 458	641 218
Postage	2 319 969	1 640 908
Post Retirement Benefits	2 563 793	2 721 125
Printing & Stationery	2 354 626	1 964 621
Protective Clothing	2 988 279	1 741 062
Publicity	831 737	660 899
Public Meetings	773 594	533 194
Refurbishment - NER Requirements	2 142 845	1 917 666
Rental - Office Machines	1 127 964	441 489
SARS - Skills Development Levy	2 135 205	1 855 565
Subscriptions & Membership	2 992 843	-
Telephone & Cellphone Costs	4 100 657	4 142 179
Training Staff & Councillors	2 430 750	2 081 654
Transitional Costs / Organograms	-	900 000
Valuation Roll Costs	1 143 560	2 329 864
Vehicle / Transport Costs	22 452 420	19 878 454
Ward Committees	3 854 314	3 136 617
Water / Sanitation	3 003 248	1 580 732
Youth Development Programme	1 674 534	1 695 899
Other General Expenses	9 141 943	3 529 015
	<b>148 133 719</b>	<b>132 438 747</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 29. Cash Generated By Operations

Surplus/(Deficit) for the year	52 354 160	8 879 143
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations		36 237 077
Depreciation / Amortisation	169 372 713	105 796 989
(Profit)/Loss on disposal of assets	5 817 036	2 849 313
(Impairment Loss) / Reversal of impairment loss	-486 076	
Contribution to long service awards provision	1 153 405	111 607
Contribution to performance bonus provision	657 524	714 010
Contribution to landfill site rehabilitation	-	13 516 542
Contribution to retirement benefit obligation	-1 718 325	1 412 907
Donated Assets to Community - Investment Prop	760 000	
(Gain)/Loss on fair value adjustment and impairment	-92 301 000	6 553 388
<b>Operating surplus before working capital changes:</b>	<b>135 609 437</b>	<b>176 070 977</b>
(Increase)/decrease in inventories	918 935	-3 536 877
(Increase)/decrease in exchange debtors	-9 961 950	6 455 389
(Increase)/decrease in non-exchange debtors	-42 401 854	-6 608 585
(Increase)/decrease in non-current receivables	-	-1 400
(Increase)/decrease in VAT Receivable	848 438	-1 383 777
(Decrease)/increase in self-insurance fund	169 953	-
(Decrease)/increase in housing operating account (HDF)	2 132 357	-
(Decrease)/increase in unspent conditional grants and receipts	28 280 673	2 680 978
(Decrease)/increase in creditors	-27 574 835	40 826 038
(Decrease)/increase in deposits	4 721 789	1 674 339
	<b>92 742 942</b>	<b>216 177 082</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30  
June 2017)

### 30. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

#### 30.1 Unauthorised Expenditure

Opening balance	125 196 084	424 706
Unauthorised expenditure current year	16 612 386	124 771 378
Approved by council or condoned	-125 196 084	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	<b>16 612 386</b>	<b>125 196 084</b>
Depreciation and Impairment Cost - Former Indaka Municipality	-	424 706
Payment ordered by Court to Service Provider - Former Indaka Municipality	-	1 646 343
Bad debts contribution to receivables	-	16 076 097
Depreciation	-	67 993 041
Contracted services	16 612 386	4 256 267
Impairment cost of PPE	-	28 619 592
Loss on disposal of PPE	-	2 164 202
Inventories: Write-down to net realisable value	-	605 454
General expenses	-	3 410 382
	<b>16 612 386</b>	<b>125 196 084</b>

Council noted Unauthorised Expenditure of R 16 612 386 at a Council meeting held on 26 July 2018.

#### 30.2 Irregular Expenditure

Opening balance	168 481 279	142 651 484
Irregular expenditure current year	15 497 580	25 829 795
Written Off	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	<b>183 978 859</b>	<b>168 481 279</b>
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	1 017 420	1 017 420
- Persons in the service of the state	2 873 102	961 161
- Non-compliance with the SCM Regulations	180 088 337	166 502 698
Written Off	-	-
	<b>183 978 859</b>	<b>168 481 279</b>

All Irregular Expenditure has been reported to Council and to National Treasury during the 2017/2018 financial year.

#### 30.3 Fruitless and Wasteful Expenditure

Opening balance	6 898 520	6 317 223
Fruitless and Wasteful expenditure current year	101 045	581 297
Approved by council or condoned	-	-
Recovered	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	<b>6 999 565</b>	<b>6 898 520</b>

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful Expenditure incurred in the current year of R 101 045, relates to interest charges on late payment of invoices to various service providers.

Investigations and Disciplinary Actions have been taken against employees during the 2017/2018 financial year related to Fruitless and Wasteful Expenditure. Outcomes are awaited in terms of recovery and will be reported accordingly.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 31. Additional Disclosures in Terms of Municipal Finance Management Act

#### 31.1 Contributions to organised local government

Opening balance		
Council subscriptions	2 989 907	
Amount paid - current year	-2 284 980	
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>704 927</b>	

The contribution for the 2016/2017 financial year was paid in July 2016 under the previous Municipality.

#### 31.2 Audit Fees

Opening balance		
Current year audit fee	4 927 097	6 859 795
Amount paid - current year	-4 927 097	-6 859 795
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### 31.3 VAT

All VAT returns have been submitted to SARS.

#### 31.4 PAYE, SDL and UIF

Opening balance		
Current year payroll deductions	35 254 634	28 441 299
Amount paid - current year	-35 254 634	-28 441 299
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### 31.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	52 141 229	43 220 364
Amount paid - current year	-52 141 229	-43 220 364
Amount paid - previous years		
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### 31.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be condoned by the Municipal Manager and noted by Council.

Opening balance	5 882 725	5 887 514
Deviations - current year	11 133	750 151
Total amount condoned	-11 133	-754 940
<b>Deviations awaiting authorisation</b>	<b>5 882 725</b>	<b>5 882 725</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 31. Additional Disclosures in Terms of Municipal Finance Management Act (Continued)

#### 31.7 Transactions with Related Parties

Mivusa Trading (Pty) Ltd	297 740	1 079 200
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, Mrs W Asmal, employed at the Alfred Duma Local Municipality.

Harvey World Travel	35 573	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, Mr R S Zikode, employed at the Department of Trade and Industry.

Bhatimewu Trading Enterprise	54 400	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, employed in the Department of Health

Jubane Tires	69 029	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 32. Capital Commitments

#### 32.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for

*Infrastructure*

*Community*

*Other*

- Approved and contracted for

*Infrastructure*

*Community*

*Other*

19 609 716

9 765 729

1 682 086

1 680

21 291 802

9 767 409

This expenditure will be financed from:

- External Loans

- Government Grants

- Own Resources

15 958 555

9 767 409

5 333 247

21 291 802

9 767 409

#### 32.2 Operating leases - as lessor

##### Minimum lease payments due

Within one year

845 679

454 175

In the second to fifth year inclusive

953 293

1 918 523

After five years

1 235 499

1 205 850

3 034 471

3 578 547

*Operating Leases consists of the following:*

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 33. Other Income

Included in other income are the following:

Actuarial Gain	1 667 716	2 350 835
Fees : Brigade Service	176 213	234 238
Fees : Building Plans	537 410	139 582
Fees : Burial	183 572	135 126
Fees : Sewerage Plans	-412	231 660
Fees : Photocopies	152 252	132 068
Legal Fees	19 117	99 382
Licences : Trade	-	113 248
Notice Processing Cost	-	93 307
Rates Clearance Certificates	240 203	209 502
Reconnection Fees : Non Payment	335 618	437 758
Sale of Plots - Cemetery	78 898	78 030
Sale of Livestock	97 375	109 956
Sale of Tender Documents	341 735	738 901
Sundries & Other	1 534 175	1 295 238
	<b>5 363 872</b>	<b>6 398 831</b>

### 34. Retirement Benefit Information

#### Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

#### *Natal Joint Municipal Pension Fund (Superannuation)*

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012, which is subject to change.

#### *Natal Joint Municipal Pension Fund (Retirement)*

The total rate of contribution by the municipality, including the surcharge, is 34,12% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012.

#### *Natal Joint Municipal Provident Fund*

The total rate of contribution by the municipality of pensionable salaries varies with 9,75%, 13,65% and 18,00% of pensionable salaries.

### 35. Councillor's Arrear Consumer Accounts

No Councillor(s) had arrear accounts over 90 days during the financial period ending 30 June 2018.

### 36. Related Parties

#### Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively to the Financial Statements.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 37. Risk Management

#### Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

#### Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and utilised borrowing facilities are monitored.

#### Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

**Restated**  
(10 August 2016 to 30  
June 2017)

### 38. Contingencies

#### 38.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

##### Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation. The State Attorney's Office is dealing with this matter. Case No. 11653/2015	500 000	500 000
The Municipality was sued for motor vehicle damages. The Municipality is defending the claim. Case No. 1332/2015	-	34 863
The Municipality was sued for motor vehicle damages. The plaintiff has filed for judgement and the court has not granted it as yet. Case No. 520/2016	-	21 010
The Municipality was sued for damages involving a minor falling into a trench. The Municipality is defending the claim and the matter has not been set down for trial as yet. Case No. 9222/2010	985 000	985 000
The Municipality was sued for outstanding payments to a service provider. The Municipality is defending the claim and the case is at discovery stage, and awaiting trial. Case No. 6040/2015	1 900 000	1 900 000
The Municipality was sued for damages to private property by a tree situated on municipal property. The claim is currently being actioned by the Municipality's Insurers. Case No. 217/2017	-	6 385
	<b>3 385 000</b>	<b>3 447 258</b>

#### 38.2 Contingent Assets

The Municipality identified the following contingent asset:

A case of alleged fraudulent transactions and theft of money, during the month of January 2016 and prior months, by a Cashier in the Revenue Section in the Department of Finance, had been detected and reported.	-	1 465 181
A case of fraud was opened at the South African Police Services on 3 May 2016 as per Case No. 32/5/2016. The South African Police Services charged the former employee with fraud and the case was settled on 11 June 2018. The former employee has entered into an agreement to repay the full amount over a period of 5 years to the Municipality, as part of the sentence. The Municipality has raised a debtor for this amount in June 2018.		
		<b>1 465 181</b>

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated  
(10 August 2016 to 30  
June 2017)

### 39. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2017 to 30 June 2018.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

### 40. Change in Accounting Estimate

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in accordance with the Standard of GRAP on accounting policies, changes in accounting estimates and errors.

The Municipality has assessed the remaining useful lives of property, plant and equipment which resulted in a change of certain asset's remaining useful lives.

The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 0 for the current period.

Infrastructure Assets		31 036 302
Community Assets		27 378 701
Other Assets		15 402 741
		73 817 744

### 41. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment		
Recoverable amounts of property, plant and equipment	1 867 016 221	1 960 743 149
Provision for rehabilitation of landfill site (discount rate, no. of years, amount of cash flows)	51 317 157	45 388 070
Present value of post retirement benefit obligation	28 178 688	29 897 013
Present value of long service awards	9 617 985	8 464 580
Provision for performance bonus	1 357 666	700 141
Provision for doubtful debts	222 321 036	183 620 426
Impairment of assets	-486 076	30 384 768
Investment property	276 636 014	186 942 893
Inventory assets held for sale	26 947 152	23 454 462

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	-486 076	30 384 768
Provisions	274 995 859	229 708 637

# Alfred Duma Local Municipality

(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

2018

2017

Restated

(10 August 2016 to 30  
June 2017)

### 42. Correction of Error

During the year, the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Inventory held for sale, Investment Property, Intangible and Heritage Assets.

During this exercise the Municipality found assets that were incorrectly reflected / not reflected on the current registers, or disclosed incorrectly.

Adjustments were also made in respect of Trade and Other Payables and Receivables from Non-Exchange Transactions for errors identified on Trade Creditors and Traffic Fines respectively related to prior year opening balances.

The Municipality rectified these errors retrospectively.

The cumulative effect on the 2018 Opening Balances are as follows :

#### Statement of Financial Position

Trade and Other Payables	12 754 921
Receivables from Non-Exchange Transactions	11 024 951
Inventories	-1 625 893
Investment Property	-98 225 929
Heritage Assets	401 000
Property, Plant and Equipment	426 665 810
Intangible Assets	-781 365
Accumulated Surplus	-350 213 496

The cumulative effect on the comparative amounts for 2018 are as follows :

#### Statement of Financial Position

Investment Property	83 288 016
Property, Plant and Equipment	32 872 786
Intangible Assets	5 228 206
Receivables from Non-Exchange Transactions	30 277

#### Statement of Financial Performance

Depreciation	-32 187 654
Contracted Services	-5 228 206
Bad Debts	295 096
Fines	-325 373
Gain / (Loss) on sale/disposal of assets	-685 111
Gain / (Loss) on fair value adjustment	-83 288 016

**Alfred Duma Local Municipality**  
**APPENDIX A**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018 (Unaudited)**

EXTERNAL LOANS	Interest Rate	Loan Ref.	Redeemable	Balance at	Received	Redeemed or	Balance at
				1 July 2017		Written Off	30 June 2018
LONG-TERM LOANS				R	R	R	R
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	4 136 698	-	328 931	3 807 767
DBSA - Indaka	5.00%	A2	Sept 2028	3 145 748	-	208 242	2 937 506
<b>TOTAL EXTERNAL LOANS</b>				<b>7 282 446</b>	<b>-</b>	<b>537 172</b>	<b>6 745 273</b>

Alfred Duma Local Municipality  
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018 (Unaudited)

	Cost			Capital Under Construction			Accumulated Depreciation			Impairment			Carrying Value
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Closing Balance		
<b>Infrastructure</b>													
Electricity	350 022 772	5 555 723	-773 539	354 804 955	-	3 105 548	-	3 105 548	136 958 519	7 214 243	-617 875	-155 864	2 843 866
Roads	1 785 751 073	20 319 133	-1 808 070 207	8 241 813	-2 202 258	31 823 280	-	32 212 040	864 758 862	109 091 740	-560 982	-512 928	20 180 308
Street Furniture	9 597 566	114 813	-1 467 862	8 241 813	-	861 049	-	861 049	4 586 096	453 875	-	26 852	26 852
Solid Waste	50 132 732	5 829 087	-	56 061 819	-	-	-	-	-	-	-	-	-
Stormwater	175 077 940	-	-	175 077 940	-	-	-	-	32 355 874	2 134 981	-	-	-
	2 370 582 073	31 815 757	-2 241 401	2 400 256 429	-2 202 258	35 790 488	-	36 178 238	1 036 640 351	118 894 789	-1 214 856	-641 740	23 051 126
									1 156 320 283				1 257 064 258
<b>Community Assets</b>													
Buildings	298 512 865	10 304 526	-	308 817 390	-	-	-	25 840 338	140 339 005	14 392 288	-	-	-
Recreation Facilities - Parks	105 100 616	-	-135 789	104 964 827	-4 760 259	1 358 826	-	1 358 826	50 335 847	3 590 268	-117 961	-17 828	5 703 338
	403 613 480	10 304 526	-135 789	413 782 217	-4 760 259	1 358 826	-	27 199 164	190 674 952	17 982 554	-117 961	-17 828	5 703 338
									208 539 545				5 703 338
													226 738 496
<b>Other Assets</b>													
Buildings	107 235 611	25 500	-	107 261 311	-	-	-	-	68 323 717	13 747 307	-	-	-
Computer Equipment	21 339 873	3 005 628	-2 577 571	21 767 931	-	-	-	-	8 981 085	2 958 216	-1 504 643	-245 285	11 029
Furniture & Office Equipment	19 632 713	303 187	-5 083 976	14 851 924	-	-	-	-	8 489 789	1 923 044	-3 757 079	-483 885	41 134
Motor Vehicles	87 045 755	9 898 458	-1 384 492	76 669 720	-	-	-	-	37 534 644	9 256 900	-730 618	-17 544	-
Plant & Equipment	30 673 845	186 432	-6 920 741	23 939 537	-	-	-	-	12 585 951	3 592 841	-3 828 589	-728 211	-
	245 927 587	13 518 206	-15 966 781	243 479 023	-	-	-	-	133 925 166	31 477 308	-9 820 909	-1 484 924	52 163
									155 581 865				87 845 295
<b>Land Assets</b>													
Land with Buildings	10 437 000	-	-	10 437 000	-	-	-	-	-	-	-	-	-
Vacant Land	281 182 881	-	-6 251 811	284 931 170	-	-	-	-	-	-	-	-	-
	301 619 881	-	-6 251 811	295 368 170	-	-	-	-	-	-	-	-	-
<b>Total</b>	3 321 743 132	55 738 489	-24 585 782	3 352 885 838	-8 962 517	37 149 313	-8 962 517	83 378 402	1 363 240 469	168 354 851	-11 153 727	-2 144 492	28 806 627
													1 867 016 221

**Alfred Duma Local Municipality**  
**APPENDIX C**

**STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2018 (Unaudited)**

REFER TO NOTE 39

Description By Nature	Budget R	Budget Adjustments (i.l.o. s28 & s31 of the MFMA) R	Virement (i.l.o. Council Approved Policy) R	Approved Annual Budget R	Actual R	% Variance R	Explanation of Significant Variances Actual versus Budget
<b>Financial Performance</b>							
Property Rates	166 863 672	4 790 407	-	171 654 079	174 536 032	101.68%	
Property Rates - Penalties & Collection Charges	5 569 068	14 167 473	-	19 736 541	18 726 756	94.88%	
Services Charges	333 631 692	(1 912 503)	-	331 719 189	332 059 519	100.10%	
Rental of Facilities and Equipment	2 787 636	254 615	-	3 042 251	2 979 758	97.95%	
Interest Earned - External Investments	15 076 340	(1 364 731)	-	13 711 609	15 236 453	111.12%	Unspent grant funds were invested and kept in call accounts to attract interest
Interest Earned - Outstanding Debtors	2 738 576	1 504 618	-	4 241 194	4 647 466	109.58%	
Fines	10 660 692	1 960 921	-	12 621 613	9 895 140	78.40%	Reduction in Traffic Fines issued due to capacity constraints
Licences and Permits	6 047 124	(893 576)	-	5 153 548	5 544 282	107.58%	
Transfers and Grants Recognised - Operational	212 960 000	9 768 429	-	222 728 429	220 037 253	98.79%	
Other Income and Profit on Fair Value Adjustments	3 652 936	319 940	-	3 972 876	97 864 872	2456.29%	Investment properties values were adjusted i.l.o. fair values
<b>Total Revenue (Excl. Capital Transfers &amp; Contributions)</b>	<b>759 985 736</b>	<b>28 595 593</b>	-	<b>788 581 329</b>	<b>861 327 531</b>	<b>111.76%</b>	
Employee Related Costs	274 251 828	(27 705)	(17 000)	274 207 123	289 032 032	94.47%	
Remuneration of Councillors	24 739 116	193 178	-	24 932 294	24 350 926	97.67%	
Bad Debts	37 662 072	16 421 769	-	54 083 841	42 188 639	78.01%	Reduction in Bad Debt Provision in terms of Recoverability of Outstanding Debtors
Depreciation and Amortisation Expense	69 531 072	105 261 861	-	174 792 933	169 372 713	96.90%	
Finance Costs	492 756	18 777	-	511 533	513 446	100.37%	
Bulk Purchases	204 141 924	4 691 874	-	208 833 798	208 831 186	100.00%	
Contracted Services	14 929 320	3 911 321	(977 900)	17 862 741	34 242 732	191.70%	Additional security services required for Councillors and Officials and for Sites
Impairment Loss	1 943 316	756 684	-	2 700 000	(486 076)	-18.00%	Judgements and Estimations are used to determine impairment of PPE
Loss on Disposal of PPE	-	-	-	-	5 817 036	0.00%	
Inventories: Write-down to Net Realisable Value	-	-	-	-	(273 963)	0.00%	
Other Expenditure	155 150 886	3 384 763	994 900	159 530 551	148 133 719	92.86%	
<b>Total Expenditure</b>	<b>782 842 292</b>	<b>134 602 522</b>	-	<b>917 444 814</b>	<b>891 722 370</b>	<b>97.20%</b>	
<b>Surplus/(Deficit)</b>	<b>(22 856 556)</b>	<b>(106 006 929)</b>	-	<b>(128 863 485)</b>	<b>(10 394 840)</b>	<b>8.07%</b>	
Transfers Recognised - Capital	77 749 000	(11 607 273)	-	66 141 727	62 749 000	94.67%	
Contributions Recognised - Capital	-	-	-	-	-	0.00%	
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>54 882 444</b>	<b>(117 614 202)</b>	-	<b>(62 731 758)</b>	<b>52 354 160</b>	<b>-83.47%</b>	
<b>Capital Expenditure and Funds Sources</b>							
<b>Capital Expenditure</b>							
Transfers Recognised - Capital	77 749 000	(11 607 273)	-	66 141 727	62 749 000	94.67%	
Public Contributions and Donations	-	-	-	-	-	0.00%	
Borrowing	-	-	-	-	-	0.00%	
Internally Generated Funds	11 888 997	9 923 213	-	21 812 210	17 247 198	79.07%	Underspending on own capital funding was as a result from prioritising grant funded projects to prevent underspending on grants for the financial period
<b>Total Sources of Capital Funds</b>	<b>89 637 997</b>	<b>(1 684 060)</b>	-	<b>87 953 937</b>	<b>79 996 188</b>	<b>90.95%</b>	

**Alfred Duma Local Municipality**  
**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Unaudited)**

	Actual Income R	Actual Expenditure R	Surplus / (Deficit) R
Municipal Manager & Council	445 385 460	132 591 366	312 794 094
Corporate Services	735 675	18 850 973	-18 115 298
Community Services	92 936 298	192 611 730	-99 675 432
Finance	4 521 432	26 249 299	-21 727 867
Infrastructure & Services	391 360 882	485 868 814	-94 507 932
Development, Planning & Human Settlement	9 136 784	35 550 188	-26 413 404
<b>Total</b>	<b>944 076 531</b>	<b>891 722 370</b>	<b>52 354 161</b>

**Alfred Duma Local Municipality**  
**APPENDIX E**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)**

Name of Grants	Name of Organ of State	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	
				Yes	No
Development, Planning and Shared Services					
Equitable Share	Dept of Economic Development	-	400 000		Yes
Expanded Public Works Programme	National Government	189 993 252	189 993 252		Yes
Housing Accreditation Funds	National Government	3 347 000	3 347 000		Yes
Housing Projects	Dept of Human Settlement	1 855 251	223 325		Yes
Integrated National Electrification Programme	Dept of Human Settlement	32 369 002	2 599 675		Yes
Ladysmith Airport	National Government	15 000 000	15 000 000		Yes
Ladysmith Black Mambazo	Dept of Economic Development	-	2 000 000		Yes
Municipal Demarcation Transition Grant	Dept of Economic Development	139 399	-		Yes
Municipal Finance Management Grant	COGTA	8 280 000	8 280 000		Yes
Municipal Infrastructure Grant	National Government	3 600 000	3 600 000		Yes
Museum Subsidy	National Government	62 749 000	62 749 000		Yes
Provincialisation of Libraries	Dept of Arts & Culture	183 000	183 000		Yes
Recapitalisation of Libraries	Dept of Arts & Culture	4 198 000	4 198 000		Yes
Records Management	Dept of Arts & Culture	776 000	776 000		Yes
Scheme Support Grant (LUMS)	COGTA	-	200 000		Yes
Small Business Development	COGTA	-	279 440		Yes
Sports Facilities	Small Business Development	4 987 198	4 987 198		Yes
Translation & Promulgation of By-Laws	Department of Sport & Recreation	1 189 500	943 171		Yes
Waste Recycling Centre / Logistics Hub	COGTA	-	200 000		Yes
	COGTA	-	426 867		Yes
		<b>328 666 601</b>	<b>300 385 928</b>		

Auditor-General of South Africa

Alfred Duma Local Municipality

Audit report 2017-18

# Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Alfred Duma Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Alfred Duma Local Municipality set out on pages ... to ..., which comprise the appropriation statement, the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Alfred Duma Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

### Basis for qualified opinion

#### Property, plant and equipment

3. The municipality did not recognise and correctly account for all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Estimates used in the measurement of property, plant and equipment were not adequately supported due to the municipality not effectively implementing and maintaining adequate asset management systems. I was unable to determine the full extent of the misstatement as it was impractical to do so. Consequently, property, plant and equipment stated at R1,87 billion (2017: R1,96 billion) in note 9 to the financial statements was misstated by an unknown amount. The resultant impact on the accumulated surplus, depreciation and correction of errors as disclosed in note 42 could not be determined.

#### Investment properties

4. The municipality did not recognise all property held for capital appreciation as investment property in accordance with GRAP 16, *Investment property* due to the status of the accounting records. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R276,64 million (2017: R186,94 million) in note 11 to the financial statements.

## Revenue and receivables from non-exchange transactions – fines

5. Included in revenue and receivables from non-exchange transactions is an amount of R9,90 million and R35,08 million respectively related to fines. I was unable to obtain sufficient appropriate audit evidence that these amounts were properly accounted for due to the status of accounting records. I was unable to confirm the revenue and receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue and receivables from non-exchange transactions relating to these fines.

## Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
7. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matters

9. I draw attention to the matters below.

## Restatement of corresponding figures

13. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.

## Material impairments – trade debtors

14. As disclosed in note 16 and 17 to the financial statements, the municipality raised a provision for bad debt of R221,32 million (2017: R183,42 million) on consumer debts as the recoverability of these amounts was doubtful.

## Other matters

15. I draw attention to the matters below.

## Unaudited disclosure notes

16. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

## Unaudited supplementary schedules

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

## Responsibilities of the accounting officer for the financial statements

18. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and 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.
19. In preparing the financial statements, the accounting officer is responsible for assessing the Alfred Duma Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

20. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
21. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

**Introduction and scope**

22. 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 material findings on the reported performance information against predetermined objectives for selected development priority presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
23. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
24. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2018:

<b>Development priority</b>	<b>Pages in the annual performance report</b>
KPA 2: Basic service delivery and infrastructure development	x – x

25. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
26. The material findings in respect of the usefulness and reliability of the selected development priority are as follows:

**KPA 2: Basic service delivery and infrastructure development**

**Various indicators**

27. There was no clear and logical link between the indicators and targets listed below. The indicators focused on maintenance and provision of access to recreation facilities, while the target related to the number of facilities to which access was provided.

No	Indicator	Planned target
1	Maintenance and provision of access to recreational parks for the public (Wimpy, Klipbank, Ezakheni A, Colenso, Steadville, Ezakheni C1 and Ezakheni E Section) throughout the financial year 2017-18.	Seven (7) recreational parks availed to the public (Wimpy, Klipbank, Ezakheni A, Colenso, Steadville, Ezakheni C1 and Ezakheni E Section) throughout the 2016-17 financial year.
2	Maintenance and provision of access to sports facilities for the public (Settlers 1 & 2, Kandahar 1 and 2, Agra, AG Magubane, Ezakheni D, Mabhomane, Roosboom, Acaciavale, Indoor, Vishnu, Matiwane, Bluebank, Nkuthu, Driefontein, Limit Hill and Nazareth) throughout the financial year 2017-18.	Fourteen (14) sports facilities availed to the public (Settlers, Kandahar 1 and 2, Agra, AG Magubane, Ezakheni D, St Chads, Roosboom, Acaciavale, Indoor, Vishnu, Matiwane, Limit Hill and Nazareth) throughout the 2016-17 financial year.
3	Maintenance and provision of access to burial plots in municipal cemeteries for the public (Ndomba, Ladysmith, Ekuvukeni, Zakheni and Colenso) throughout the financial year 2017-18.	Burial plots in five (5) municipal cemeteries (Ndomba, Ladysmith, Ekuvukeni, Ezakheni and Colenso) will be availed to the public throughout the 2016-17 financial year.
4	Maintenance and provision of access to municipal swimming pools for the public (White Road, Agra, Colenso, Limit Hill, St Chads, Ezakheni C and E Sections) throughout the financial year 2017-18.	Seven (7) swimming pools (White Road, Agra, Colenso, Limit Hill, St Chads and Ezakheni C and E Sections) availed to the public throughout the 2016-17 financial year.
5	Maintenance and provision of access to community halls for the public (Town, Civic, Indoor Sport, Limit Hill, Tsakane, Steadville, Steadville Area J, C Section, B Section, E Section, Nkanyezi, Colenso Town, Colenso Multi-purpose Centre, Watersmeet, Kirckitulock, Peacetown, Burford, Kirckitulock, Peacetown, Burford, Emahhukwini, Van Reenen, Blue Bank, Roosboom, Matiwane, Jononoskop, Mtateni, Mathondwane, Pieters, Kleinfontein, Lucitania, Ezimbuzini, Mcitsheni, Inkunzi, Mthandi, Nkuthu, Crimin, Ekuvukeni, Etholeni, Ensimbini) throughout the financial year 2017-18.	Thirty-seven (37) community Halls (Town, Civic, Indoor Sport, Limit Hill, Tsakane, Steadville, Steadville Area J, C Section, B Section, E Section, Nkanyezi, Colenso Town, Colenso Multi-purpose Centre, Watersmeet, Kirckitulock, Peacetown, Burford, Emahhukwini, Van Reenen, Blue Blank, Roosboom, Matiwane, Jononoskop, Mtateni, Mathondwane, Pieters, Kleinfontein, Lucitania, Ezimbuzini, Mcitsheni, Inkunzi, Mthandi, Nkuthu, Crimin, Ekuvukeni, Etholeni, Ensimbini) are provided to the public throughout the 2016-17 financial year.
6	Maintenance and provision of access to community facilities in Thusong for the public (St Chads, Roosboom, Driefontein, Watersmeet and Ekuvukeni) throughout the financial year 2017-18.	Five (5) community facilities in Thusong (St Chads, Roosboom, Driefontein, Watersmeet and Ekuvukeni) availed to the public throughout the 2016-17 financial year.

## Other matters

28. I draw attention to the matters below.

### Achievement of planned targets

29. The annual performance report on pages ... to ... includes information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 27 of this report.

## **Adjustment of material misstatements**

30. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the selected development priority. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## **Report on the audit of compliance with legislation**

### **Introduction and scope**

31. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
32. The material findings on compliance with specific matters in key legislation are as follows:

### **Annual financial statements**

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets and current liabilities identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### **Expenditure management**

34. Effective steps were not taken to prevent irregular expenditure of R15,49 million as disclosed in note 30 to the financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the disclosed irregular expenditure was as a result of non-compliance with supply chain management (SCM) regulations due to the municipality not following proper processes for deviations.
35. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R16,61 million, as disclosed in note 30 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the unauthorised expenditure was caused by overspending on contracted services.

### **Consequence management**

36. Losses resulting from irregular expenditure were not recovered from the liable person, as required by section 32(2) of the MFMA.

### **Asset management**

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

## Procurement and contract management

38. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).
39. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).

## Other information

40. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.
41. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
42. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
43. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and reissue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

44. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon.
45. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
46. Leadership did not perform effective oversight and monitoring to ensure that delegated officials consistently applied policies and procedures and related internal controls to achieve reliable and credible financial and performance reporting as well as compliance with applicable legislation.

47. Senior management did not implement adequate review procedures to ensure that the annual financial statements were prepared in accordance with the financial reporting framework and that the annual performance report was accurately prepared and supported by reliable and credible information.
48. Management did not ensure that adequate controls were in place to monitor compliance with SCM legislation.

### Other reports

49. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
50. The South African Police Service, at the request of the municipality, is investigating a case of alleged theft of money by a cashier for the period between January 2014 and January 2016. At the time of this report, the investigation had been concluded.

*Auditor-General SA*  
Pietermaritzburg

30 November 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
  - obtain an understanding of internal control relevant to the audit 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.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Alfred Duma Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.